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**LOUISIANA HORSESMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1991, INC.
HORSESMEN'S BOOKKEEPER ACCOUNT
March 31, 1998**

Audit of Financial Statements

March 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor, or, where appropriate, at the office of the parish clerk of court.

Release Date: NOV 2 5 1998

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**LaPorte
Sehr
Romig
&
Hand**

Board of Directors

**Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.
Horsemen's Bookkeeper Account**

Independent Auditor's Report

We have audited the accompanying statement of financial position of the **Horsemen's Bookkeeper Account (Bookkeeper)** of the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.** (a nonprofit organization) as of March 31, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Bookkeeper's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Horsemen's Bookkeeper Account of the LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.** as of March 31, 1998, and the changes in its net assets and cash flows for the year then ended, in conformity with generally accepted accounting principles.

A Professional Accounting Corporation

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International affiliation with the Institute, New York, New York, Inc.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 1998, on our consideration of the Hausman's Bankkeeper Account of the LOUISIANA HOMEOWNERS HOMEOWNERS and PROTECTIVE ASSOCIATION 1993, INC.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Arthur, Little, King's Hand

A Professional Accounting Corporation

October 23, 1998

LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
March 31, 1988

ASSETS

Cash and Cash Equivalents	\$ 8,834,689
Due from Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.	238,222
Investment in Certificate of Deposit	<u>100,000</u>
Total Assets	<u>\$ 9,172,911</u>

LIABILITIES AND NET ASSETS

Due to Horsemen	\$ 9,172,911
Net Assets	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 9,172,911</u>

The accompanying notes are an integral part of these financial statements.

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
For The Year Ended March 31, 1998**

REVENUES

Purses	\$ 48,834,582
Owner/Business Deposits	8,530,187
Louisiana Quarterhorse Breeder's Association - Video Poker Funds	896,018
Pony Lead Fees	367,156
Interest Earned	<u>187,568</u>
 Total Revenues	 <u>58,815,511</u>

EXPENSES

Program Services:	
Owner/Business Distributions	49,699,243
Jockey Payroll/Hockey Guild	4,135,488
2% Commissions - LTB&L/QUEHA Breeder Awards	352,423
LHHBA - Pony Lead Fees - 1993, Inc.	331,673
LHHBA - Interest Earned - 1993, Inc.	185,834
LHHBA - Pony Lead Fees - Horseman's Pension Trust	32,298
LHHBA - Jockey Payroll Administrative Fee - 1993, Inc.	6,804
LHHBA - Pony Lead Fees - FAC Contributions	3,179
LHHBA - Other - 1993, Inc.	5,281
Bank Charges	<u>1,534</u>
 Total Expenses	 <u>58,513,571</u>

INCREASE IN NET ASSETS

-

NET ASSETS, BEGINNING OF YEAR

-

NET ASSETS, END OF YEAR

\$ -

The accompanying notes are an integral part of these financial statements.

LOUISIANA FIREMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1995, INC.,
FIREMEN'S BOOKKEEPER ACCOUNT
For The Year Ended March 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ -
Adjustments to Reconcile Increase in Net Assets to Net Cash (Used in) Operating Activities:	
(Increase) in Due from LFBFA	<u>\$ (1,334)</u>
Net Cash (Used in) Operating Activities	<u>(1,334)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,334)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,336,233</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,004,899</u></u>

The accompanying notes are an integral part of these financial statements.

**LOUISIANA HORSESMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSESMEN'S BOOKKEEPER ACCOUNT
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND OPERATIONS

The **LOUISIANA HORSESMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**, is a non-profit organization which has been recognized as an authorized representative that shall represent member and other horsemen racing at licensed race meetings held in the state of Louisiana for the purpose of but not limited to negotiating contracts for such horsemen with all racing associations licensed by the state of Louisiana, relative to games, hospitalization, medical benefits, conditions, and all other matters of interest and concern to such horsemen.

At each race meeting conducted in the state of Louisiana pursuant to the provisions of the Louisiana State Racing Commission, there shall be a bookkeeper for the collection, disbursement, and investment of monies belonging to horsemen licensed at such a race meeting who shall be known as the **Horsemen's Bookkeeper**. The **Horsemen's Bookkeeper** shall be bonded, selected, and employed by the authorized representative of horsemen racing in the state of Louisiana, the **LOUISIANA HORSESMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.**

Each association conducting a race meeting shall provide a separate office for the **Horsemen's Bookkeeper** who shall keep a separate bank account for the horsemen's monies to be known as the "**Horsemen's Bookkeeper Account**".

At all times the **Horsemen's Bookkeeper Account** shall have an deposit funds sufficient to cover all monies due horsemen with regard to daily purses, jockey fees, stakes, handicaps, rewards, claims, deposits, monies, if any, for horsemen's medical and hospital benefit programs, and any pony lead fees.

Except for interest earned on the investment of monies in the **Horsemen's Bookkeeper Account**, and that portion of a pony lead fee as authorized and assessed by the representative of horsemen in the state to provide retirement benefits to horsemen and to pay its administrative and operating costs, withdrawals from the account shall be only for those purposes provided in the above paragraph.

The interest earned on the investment of monies in the **Horsemen's Bookkeeper Account** and that portion of a pony lead fee as provided for above shall be collected by the **Horsemen's Bookkeeper** and paid, in due course, to the **LOUISIANA HORSESMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.**

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ORGANIZATION AND OPERATIONS (Continued)

After first paying the expenses and other charges necessary to operate the offices of the Horsemen's Bookkeeper, the interest earned on the investments of monies in the Horsemen's Bookkeeper Account by the LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION, INC. shall be used by it for the benefit of horsemen racing in the state.

The account shall at all times be subject to audit by the legislative auditor or by a certified public accountant approved by the legislative auditor, the expenses of such audit to be paid by the LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.

BASIS OF PRESENTATION

The Bookkeeper has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 requires reporting information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Restrictions are based upon donor stipulations. Due to the nature of the Bookkeeper's operations, net assets are always expected to be non-restricted, therefore, a balance of zero.

CASH EQUIVALENTS

For reporting purposes, the Horsemen's Bookkeeper Account considers all highly liquid debt instruments with a maturity of three months or less to be considered cash equivalents.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1995, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
NOTES TO FINANCIAL STATEMENTS**

NOTE B

2% COMMISSIONS - L'ETALQHIRA BREEDER AWARDS

As provided by state law, licensees conducting state meetings for which supplements for purses are provided, shall withhold two percent of the total supplemented purses. These funds are forwarded, by the licensee, to the Horsman's Bookkeeper, who in turn disburses these exact funds to the Louisiana Thoroughbred Breeders Association (LTBA) and the Louisiana Quarter Horse Breeders Association (LQHBA).

NOTE C

RELATED PARTY TRANSACTIONS

During the course of its operations, the Bookkeeper has loaned funds to the LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1995, INC. There are no set terms for repayment of these funds.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

**Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.
Horsemen's Bookkeeper Account**

We have audited the financial statements of the Horsemen's Bookkeeper Account of the LOUISIANA HORSESMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC. (a nonprofit organization) for the year ended March 31, 1998, and have issued our report thereon dated October 27, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Horsemen's Bookkeeper Account of the LOUISIANA HORSESMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC. financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported herein under Government Auditing Standards.

Condition: The Horsemen's Bookkeeper Account of the LOUISIANA HORSESMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, Inc. did not follow the provision of Louisiana Revised Statute (R.S. 24:513) that requires that audits to be completed and issued within six months of the close of the entity's fiscal year.

A Professional Accounting Corporation

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Members of the CPA Division of the American Institute of Certified Public Accountants and the Institute of Certified Public Accountants International Affiliated with Accounting Firm Association, Inc.

Critique:	Under the above statute, the Horsemen's Bookkeeper Account of the LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, Inc. shall as of and for the year ended March 31, 1998, should have been completed and issued by September 30, 1998.
Effect:	This is not expected to have an effect on the financial statements as the reason for the delay was communicated and accepted by the Legislative Auditor of the State of Louisiana; however, the statute referenced above does not allow for an extension of time beyond six months.

Internal Control Over Financial Reporting

In planning and performing our audit we considered Horsemen's Bookkeeper Account of the LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Horsemen's Bookkeeper Account of the LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, Inc.'s ability to record, process transactions, and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are presented below.

Financial Reporting

While cash flow reports that detail the categorized sum total of the cash received and cash disbursed, can be run for each Horsemen's Bookkeeper at each race track, neither a combined general ledger nor combined financial statements are being prepared on a timely basis.

We recommend that the current cash flow reports be used for generating a combined general ledger on a monthly basis. Such a ledger will provide a reporting format that will allow management to evaluate the consistency of receipt and disbursement entries by the Bookkeepers. This ledger will also enable management to evaluate on a timely basis the completeness of the activity within the Horsemen's Bookkeepers' Accounts.

Segregation of Duties

The individual serving as the Horsemen's Bookkeeper at each race track has sole responsibility of

- 1) receiving and distributing to the horsemen's accounts pursu money received from the race track,
- 2) receiving and distributing to the horsemen's accounts monies received from the horsemen, and
- 3) initiating and authorizing the disbursement of funds out of the horsemen's accounts.

We recommend that the possibility of removing at least one of these responsibilities from the Bookkeeper be explored. In addition, we recommend that management perform procedures that include inspection of the receipt allocations and cash disbursements.

Authorizations for Cash Disbursements

Standard procedures for the release of funds out of a horseman's account, outside of jockey payroll and end of race checks, is for either the owner or the registered trainer to sign a standard authorization form. We noted that one of the Bookkeepers consistently failed to have said form signed.

We recommend that management review the authorization forms for all bookkeepers to insure that written procedures are being followed.

Misappropriation of Assets

The above internal control weaknesses lend themselves to the potential misappropriation of assets without timely detection by the management of the Horseman's Bookkeepers. A separate report dated October 20, 1998, addresses potential possible misappropriation of assets.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in accounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses.

This report is intended for the information of the Bookkeeper's management and the Legislative Auditor of the State of Louisiana.



A Professional Accounting Corporation

October 27, 1998

Louisiana Horsemen's Benevolent & Protective Association 1993, Inc.

MEMBER
Receipts/Disburse

SECRETARY/TREASURER
Tuition/Books



BOARD OF DIRECTORS

Deanna
Andy DeWitt
Clifford Kelly
Tom Simpson
Arthur Marshall
John Brantley

BOARD OF DIRECTORS

Quincy Fontenot
Franklin Jones, Jr.
Thomas Robinson
Lester Whitehead, Jr.
Cliff Brantley
Don DeWitt

November 19, 1998

Dr. Daniel G. Kyle, CPA, CFE
Office of Legislative Auditor
State of Louisiana
Hatchers Bldg., L.A. 70804-8187

RE: Acacia Sanders

RE: Louisiana Horsemen's Benevolent & Protective Assn. 1993, Inc.
1997 AUDIT REPORT -- HORSEMEN'S BOOKKEEPER ACCOUNT

Dear Ms. Sanders:

This letter is in response to the reported conditions cited in the audit report of LaPorte, Nebel, Hornig & Hand for the audit report for the period ending March 31, 1998 for the Horsemen's Bookkeeper Account of the Louisiana Horsemen's Benevolent & Protective Assn. 1993, Inc.

In connection with the reported conditions, the following corrective actions will be taken:

Internal Control Over Financial Reporting

The Horsemen's Bookkeeper Supervisor will generate a spreadsheet monthly for timely review and examination of cash received and cash disbursed.

Segregation of Duties

The Horsemen's Bookkeeper Supervisor will review weekly all cash disbursements for agreement between the paper and the signature (endorsement) on the back of the checks.

The Horsemen's Bookkeeper Supervisor will conduct unannounced on-site visits no less than two times during each race meet.

Management is receiving proposals for consideration of updating the computer system which would reduce the possibilities for irregularities to occur.

Louisiana Horsemen's Benevolent & Protective Association 1993, Inc.

PRESIDENT

SECRETARY/TREASURER

MEMBERSHIP

CONSTITUTION

BOARD OF DIRECTORS

Charles
John Taylor
Clarence Taylor
Tom Granger
Lester Williams
Mark Williams



BOARD OF DIRECTORS

Charles Williams
Donald Adams, Jr.
Anthony Williams
Lawrence Williams, Jr.
Joseph Adams
Cliff Taylor

November 18, 1998

Dr. Donald G. Kyle, CPA, #311
Office of Legislative Auditor
State of Louisiana
Baton Rouge, LA 70804-9097

Attn: JoAnn Sanden

RE: Louisiana Horsemen's Benevolent & Protective Ass. 1993, Inc.
1997 AUDIT REPORT -- HORSEMEN'S BOOKKEEPER ACCOUNT

Dear Ms. Sanden:

This letter is in response to the reported conditions cited in the audit report of LaPorte, Selet, Baumig & Hand for the audit report for the period ending March 31, 1998 for the Horsemen's Bookkeeper Account of the Louisiana Horsemen's Benevolent & Protective Assn. 1993, Inc.

In connection with the reported conditions, the following corrective actions will be taken:

Internal Control Over Financial Reporting

The Horsemen's Bookkeeper Supervisor will generate a spreadsheet monthly for timely review and examination of cash received and cash disbursed.

Segregation of Duties

The Horsemen's Bookkeeper Supervisor will review weekly all cash disbursements for agreement between the payee and the signature (endorsement) on the back of the checks.

The Horsemen's Bookkeeper Supervisor will conduct unannounced on-site visits no less than two times during each fiscal year.

Management is receiving proposals for consideration of updating the computer system which would reduce the possibilities for irregularities to occur.

11/18/98
11/18/98
11/18/98

Authorizations for Cash Disbursements

The Treasurer's Bookkeeper Supervisor will conduct unannounced on-site visits no less than two times during each fiscal year to insure that proper procedures are being followed by the Treasurer's Bookkeeper.

Misappropriation of Assets

The procedures outlined above will be implemented to deter any potential misappropriation of assets.

In reference to the separate report dated October 28, 1998 which addresses a potential misappropriation of assets, (1) Penny Barlow, Treasurer's Bookkeeper at Delta Downs, has been terminated for not following proper accounting procedures; and (2) an investigation is in process to determine whether any fraud may have been committed by Penny Barlow.

This concludes my response to the reported conditions, and should you need further information, please let me know.

Sincerely,



Carolyn DeLeon
Executive Director

cc: Board of Directors
LaPorta, Safar, Rasmig & Hines
San Golpi, Legal Counsel

Authorizations for Cash Disbursements

The Horvonen's Bookkeeper Supervisor will conduct unannounced on-site visits no less than two times during each nine month term to insure that proper procedures are being followed by the Horvonen's Bookkeeper.

Misappropriation of Assets

The procedures outlined above will be implemented to deter any potential misappropriation of assets.

In reference to the separate report dated October 20, 1998 which addresses a potential misappropriation of assets, (1) Penny Barlow, Horvonen's Bookkeeper at Delta Towers, has been terminated for not following proper accounting procedures; and (2) an investigation is in process to determine whether any funds may have been committed by Penny Barlow.

This concludes my response to the reported conditions, and should you need further information, please let me know.

Sincerely,



Carolyn DeJohan
Executive Director

cc: Board of Directors
LaPorte, Schri, Hornig & Hurd
Ann Gelpi, Legal Counsel