

LOUISIANA HORSEMEN'S BENEVOLENT AND
PROTECTIVE ASSOCIATION 1993, INC.



INVESTIGATIVE AUDIT
ISSUED MARCH 20, 2013

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 20, 2013

**STANLEY SEELIG, PRESIDENT OF THE
LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION
MARCIA LAMARCHE, CHAIRWOMAN OF THE
LOUISIANA HORSEMEN'S MEDICAL TRUST AND
LOUISIANA HORSEMEN'S PENSION TRUST**
New Orleans, Louisiana

We have audited certain transactions of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc., the Louisiana Horsemen's Medical Trust, the Louisiana Horsemen's Pension Trust, and the Louisiana Horsemen's Workers' Compensation Program. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the Orleans Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/dl

LHBPA 2013

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EXECUTIVE SUMMARY

Improper Use of Statutorily Dedicated Funds by Former Management

During the period January 1, 2006 through December 31, 2010, Mr. Sean Alfortish; Ms. Mona Romero; Ms. Tammy Broussard, LHBPA 1993 Field Office supervisor; and four other employees improperly used \$828,620 of public funds that should have been used for benefit of horsemen. The expenses included lavish meals and liquor during the week and on weekends at New Orleans area restaurants and in other cities, such as lobster and steak dinners with bottles of wine; Carnival parade stand rentals and parties to host a national horsemen's convention in New Orleans; personal travel and lodging at high-end hotels; spa services; retirement, birthday, and Christmas parties; political fundraising using LHBPA 1993 employees; gifts; evening gowns; charitable donations; traffic ticket fines; fuel purchases; personal purchases; and other questionable expenses.

All of the \$828,620 was paid by the Medical Trust and a portion was subsequently allocated by management of the LHBPA 93 to the Louisiana Horsemen's Workers' Compensation (WC) Program, Pension Trust, and LHBPA 93 without regard to the requirements of state law. State law dedicates public funds to the LHBPA 93 to specifically provide medical benefits, pension benefits, and worker's compensation benefits for Louisiana horsemen.

We also noted the following with regard to these purchases:

1. Mr. Alfortish, Ms. Romero, and the five other employees purchased goods and services totaling \$661,916 using several LHBPA 93 credit cards and did not turn in receipts for \$504,226 (76%) of those purchases.
2. According to receipts we obtained, Mr. Alfortish, Ms. Romero, and Ms. Broussard appear to have personally benefited from credit card purchases totaling \$21,876, which may violate state law.

In total, almost 3,200 transactions were charged on the credit cards between 2006 and 2010. Of the 3,200 transactions, 945 were retail purchases made at stores such as Wal-Mart and Dillards for \$212,637.

Improper Use of Video Poker Settlement Funds

LHBPA 93 improperly used unclaimed video poker settlement funds totaling \$1,000,000 to pay for its operating and administrative expenses. Since these funds are owed to individual horse owners (horsemen), LHBPA 93 may have violated state law.

Improper Salary Payments to Sean Alfortish

From April 26, 2007 through December 1, 2010, Mr. Sean Alfortish may have violated state law by receiving \$395,776 for work he did not perform or for services grossly inadequate for his compensation as follows:

1. Mr. Alfortish, as the WC director and simulcast director of LHBPA 93, was paid \$370,776 while at the same time he was (a) serving as LHBPA 93 board president; (b) serving as a part-time magistrate for the City of Kenner; and (c) operating his personal law firm.
2. Mr. Alfortish was paid \$25,000 in retroactive pay for a time period that he was not an employee.

Overdrawn Bookkeeper Accounts

LHBPA 93 allowed horsemen bookkeeper accounts to be overdrawn, which may be in violation of state law. As of July 31, 2012, there were 603 horsemen bookkeeper accounts that were overdrawn by a total of \$123,006.

Ownership of New Orleans Office Building

Prior to 1993 and before LHBPA reorganized into LHBPA 93, LHBPA spent approximately \$796,000 of the restricted Medical Trust funds to purchase land and construct the New Orleans office building. Although LHBPA 93 currently owns and occupies the building, LHBPA 93 does not have records to demonstrate that it purchased the property from the Medical Trust. If the Medical Trust donated the property to LHBPA 93, this action may violate the state constitution.

BACKGROUND AND METHODOLOGY

The Louisiana Horsemen's Benevolent and Protective Association is a nonprofit corporation that is recognized and designated by the Legislature as a representative of its members and other horsemen for the purpose of protecting the interests of Louisiana horse owners and trainers racing in the state.¹ According to Mr. James Gelpi, former LHBPA legal counsel, in 1992 the LHBPA lost its tax exempt status and reorganized as Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (LHBPA 93). The LHBPA 93 is a nonprofit [501 (c) (3)]² organization and is governed by a member elected board that is comprised of five horse owners, five horse trainers, and a president.

LHBPA 93's nonprofit status did not permit benevolent acts. Therefore, to continue providing medical and pension benefits, LHBPA 93 created two independent entities titled the Louisiana Horsemen's Medical Trust (Medical Trust) and the Louisiana Horsemen's Pension Trust (Pension Trust). In 2006, LHBPA 93 created two independent entities (Horsemen's Alliance Holding, Inc. [HAH] and the Horsemen's Insurance Alliance SPC [HIA]) to establish the Louisiana Horsemen's Workers' Compensation (WC) Program in response to legislation passed in 2005. Since our previous audit report was issued (May 4, 2011), LHBPA 93 reorganized the worker's compensation program by creating the Horsemen Workers' Compensation Insurance Trust.

State law^A provides funding for LHBPA 93, the Medical and Pension Trusts, and the WC Program as follows:

Horsemen Affiliated Entities	Funding Source ^A
1. LHBPA 93	Interest on the Horsemen's Bookkeeper Account and a portion of the Pony Lead Fee ³
2. Medical Trust	Fees from Video Poker, ⁴ Slots, ^{5, 6} Pari-Mutuel ⁷ and Off Track ⁸ Wagering
3. WC Program	Fees from Video Poker, Slots and Pari-Mutuel Wagering ⁹
4. Pension Trust	A portion of the Pony Lead Fee ³ and Fees from Video Poker, Slots and Pari-Mutuel Wagering ¹⁰

LHBPA 93 acts as a service organization for both Trusts and the WC Program since it is the only entity with employees. State law¹¹ requires that any funds received by any horsemen's organization or organization representing horsemen from any distribution, allocation, or deduction can only be used for the benefit of horsemen racing in the state of Louisiana.

^A According to the Louisiana State Racing Commission, funding sources directed by state law to LHBPA 93, including video poker at off track betting facilities and slots, are provided before tax.

We attempted to contact Mr. Sean Alfortish, former LHBPA 93 president, WC director, and simulcast director and Ms. Mona Romero, former LHBPA 93 executive director, about transactions and issues covered in this report, but neither of them would speak with us. Since the issuance of our previous report, Mr. Alfortish and Ms. Romero plead guilty to federal crimes.

Pursuant to state law,¹² the Legislative Audit Advisory Council requested that the Louisiana Legislative Auditor conduct a compliance audit of the LHBPA 93 operations. This is the second report issued relating to this entity. The procedures performed during this audit consisted of:

- (1) interviewing LHBPA 93 employees;
- (2) interviewing other persons as appropriate;
- (3) examining selected LHBPA 93 documents and records;
- (4) gathering documents from external parties;
- (5) reviewing LHBPA 93 policies; and
- (6) reviewing applicable state laws and regulations.

FINDINGS AND RECOMMENDATIONS

Improper Use of Statutorily Dedicated Funds by Former Management

During the period January 1, 2006 through December 31, 2010, Mr. Sean Alfortish; Ms. Mona Romero; Ms. Tammy Broussard, LHBPA 1993 Field Office supervisor; and four other employees improperly used \$828,620 of public funds that should have been used for benefit of horsemen. The expenses included lavish meals and liquor during the week and on weekends at New Orleans area restaurants and in other cities, such as lobster and steak dinners with bottles of wine; Carnival parade stand rentals and parties to host a national horsemen's convention in New Orleans; personal travel and lodging at high-end hotels; spa services; retirement, birthday, and Christmas parties; political fundraising using LHBPA 1993 employees; gifts; evening gowns; charitable donations; traffic ticket fines; fuel purchases; personal purchases; and other questionable expenses.

All of the \$828,620 was paid by the Medical Trust and a portion was subsequently allocated by management of the LHBPA 93 to the WC Program, Pension Trust, and LHBPA 93 without regard to the requirements of state law.^{3, 4, 9, 11} State law dedicates public funds to the LHBPA 93 to specifically provide medical benefits,⁴ pension benefits,³ and workers' compensation benefits⁹ for Louisiana horsemen.

We also noted the following with regard to these purchases:

- 1. Mr. Alfortish, Ms. Romero, and the five other employees purchased goods and services totaling \$661,916 using several LHBPA 93 credit cards and did not turn in receipts for \$504,226 (76%) of those purchases.**
- 2. According to receipts we obtained, Mr. Alfortish, Ms. Romero, and Ms. Broussard appear to have personally benefited from credit card purchases totaling \$21,876, which may violate state law.¹³**

In total, almost 3,200 transactions were charged on the credit cards between 2006 and 2010. Of the 3,200 transactions, 945 were retail purchases made at stores such as Wal-Mart and Dillards for \$212,637.

As noted in our previous audit report (dated May 4, 2011), LHBPA 93 management developed and implemented expense allocation procedures for the Medical Trust, WC Program, Pension Trust, and the LHBPA 93, as follows:

- As a practice, the majority of administrative expenses incurred to operate all four entities were being paid out of the Medical Trust administrative bank account. Such expenses included travel, building maintenance, flowers, gifts, awards, professional services, donations, and office supplies.**

- At the end of each month, a portion of the expenses paid out of the Medical Trust account was allocated to the other three affiliated entities for reimbursement. However, we note that the LHBPA 93 did not fully reimburse the Medical Trust for its allocation of expenses. According to the December 31, 2011, audited financial statements, the LHBPA 93 owes \$418,372 to the Medical Trust.

LHBPA 93 management could not provide documentation to justify how the expense allocation percentages were determined or if they took into consideration the actual benefit, if any, that the expenses provided to each horsemen entity/program. The allocation of expenses that do not relate to a particular program would have reduced the amount of funds to be used to provide medical, pension, and workers' compensation benefits to Louisiana horsemen. Since management could not (1) provide supporting documentation; (2) demonstrate how the expense allocations were derived; and (3) show how the costs benefitted the horsemen's programs that were paying for them, the payment of such expenses may violate state law.^{3, 4, 7, 8, 9, 11}

Based on our review of selected expenses, it appears that management and employees of LHBPA 93 improperly used funds that were statutorily dedicated for the benefit of Louisiana horsemen. The following table summarizes \$828,620 of expenses that were paid by the horsemen's Medical Trust (administrative bank account). A portion of these expenses was subsequently allocated to the horsemen's Pension Trust, WC Program, and the LHBPA 93 for reimbursement.

Selected Expenses January 2006 to December 2010	Amount
1. Credit Card Purchases (American Express and Visa) ^B	\$661,916
2. 2008 National HBPA Winter Convention Expenses	94,107
3. Flowers, Gift, and Donations	27,670
4. Celebratory Catered Events	18,664
5. Vehicle Lease Payments and Traffic Violation Payments	13,470
6. Other Miscellaneous Expenses	12,793
Total	\$828,620

Our review of these expenses revealed the following:

1. American Express and Visa Credit Card Purchases

From January 2006 to December 2010, Executive Director Mona Romero, Board President Sean Alfortish, and five other employees charged a total of \$661,916^B (3,197 transactions) on LHBPA 93 credit cards. During our review, we noted the following:

- Credit card statements indicate that 79% (or \$586,063) of the total credit card purchases were made by former Executive Director Mona Romero (\$488,157) and former LHBPA 93 Board President Sean Alfortish (\$97,906).

^B This amount excludes \$20,370 of charges for the 2008 National HBPA Winter Convention (discussed in section 2008 *National HBPA Winter Convention Expense*) and \$147,474 of charges incurred for international travel that were reported in our previous audit.

- Although there were some notations and writings made on the monthly credit card statements, 83% of these credit card transactions did not have a supporting detailed/itemized receipt.
- LHBPA 93 did not have a written policy or procedures addressing credit card usage, including the documentation required to be turned in and maintained to support the business purpose of such purchases.
- The standard practice was to use Medical Trust administrative funds to pay the balance due shown on the monthly credit card statements by the due date, with or without receipts.

According to Ms. Mary Diaz, an employee who performs accounts payable duties, she rarely received receipts for credit card charges and sometimes called Ms. Romero if she had questions about any of the charges. She informed us that all charges were allocated to the Medical Trust for payment unless she knew for sure that it was a WC Program expense or unless she was told differently. Ms. Diaz also told us that this practice existed prior to Mr. Alfortish becoming the board president. The executive secretary, Ms. Sandra Ray, stated that after she was hired by LHBPA 93 in August 2008, she began matching the 2005 through 2007 credit card receipts with the corresponding credit card statements.

The September 9, 2008, Board minutes (unsigned) and financial records of LHBPA 93 indicate that Ms. Romero, in June 2008, took away and eliminated the use of five of the seven credit cards being used by employees because receipts were not being submitted in a timely manner. Ms. Romero and Mr. Alfortish continued to use their credit cards, and in the 30 months following this action, 79% of the charges made by Ms. Romero and Mr. Alfortish were not supported by receipts. As shown in the following table, after eliminating the use of the five employee credit cards, the percentage of unsupported credit card transactions only marginally decreased (6%). We requested a meeting to discuss this issue with Ms. Romero and Mr. Alfortish, but neither of them would agree to speak with us.

Comparison of Credit Card Transactions and Receipts				
Number of LHBPA Employees with Credit Cards	Time Period of Credit Card Usage	Number of Credit Card Transactions	Number of Receipts	Percentage of Transactions Not Supported by Receipts
7	01/01/06 - 06/11/08	1,961	301	85%
2 ^C	06/12/08 - 12/31/10	1,236	258	79%
Total		3,197	559	83%

^C Mr. Sean Alfortish and Ms. Mona Romero

William Hof, former LHBPA 93 secretary-treasurer, stated that he asked Mr. Alfortish for receipts, but Mr. Alfortish would not turn them in. Without detailed receipts and documentation of the business purposes, the LHBPA 93 could not determine the necessity or the reasonableness of the purchases, if the purchases benefited the horsemen, and if the expenses complied with state law.¹¹

We reviewed the credit card statements for the period and requested or obtained receipts for certain purchases that did not appear to benefit the horsemen. As previously mentioned, neither Mr. Alfortish nor Ms. Romero would speak with us regarding these transactions. The results of our review revealed improper purchases, including purchases that appear to have personally benefited Mr. Alfortish, Ms. Romero, and Ms. Broussard. The following table presents a summary of the credit card transactions by expense category.

Credit Card Transactions January 1, 2006 to December 31, 2010				
Expense Category	Number of Transactions	Number of Receipts	Total Charges	Purchases Made for Personal Benefit
Out-of-State Travel	566	70	\$220,901	\$17,747
Retail Purchases	945	263	212,637	3,959
In-State Travel	673	106	117,768	170
Purchases at Fuel Stations	635	27	34,558	
Local Meals	239	35	32,086	
Celebratory Functions	55	28	19,093	
Gifts and Donations	58	24	17,690	
Political Campaign Fundraising	26	6	7,183	
Total	3,197	559	\$661,916	\$21,876

Our review of these credit card transactions revealed the following (by category):

Out-of-State Travel

According to employees and available records, 566 of the credit card transactions/purchases totaling \$220,901 are directly attributed to out-of-state travel, the majority of which was incurred in connection with attending conventions.

We reviewed purchases made in connection with five out-of-state trips and noted questionable expenses, including \$17,747 of travel expenses that appear to have been for the personal benefit of Ms. Romero and Ms. Broussard. These expenses are discussed as follows:

(1) **National Council of Legislatures from Gaming States Convention**

Location: Las Vegas, Nevada

Dates: June 8 - 10, 2007

Total Costs: \$8,540

Travelers: Mona Romero and Tammy Broussard

According to a convention brochure, the convention focused on specific federal and state gaming initiatives. Although Ms. Romero and Ms. Broussard charged a total of \$8,540 in connection with this trip, there was only two receipts on-hand totaling \$76. Trip charges included:

- An airline ticket, totaling \$558, purchased for Mr. Alfortish; however, he did not attend the convention. LHBPA 93 records do not show reimbursement or credit received for the cost of his airline ticket;
- Hotel costs^D for Ms. Romero and Ms. Broussard for four nights at the Rio Suites totaling \$2,183 and \$1,434, respectively;
- \$1,105 spent for tickets to entertainment shows;
- \$220 spent at two restaurants; and
- \$158 spent at the Venetian and Bellagio hotel bars.

According to Ms. Broussard, Ms. Romero made her attend the conference and Mr. Alfortish asked her to take care of Ms. Romero while traveling. Ms. Broussard stated that she usually had to travel with Ms. Romero at Mr. Alfortish's request. She told us that she does not believe the convention had anything to do with horse racing and that they attended only ten minutes of the convention. Ms. Broussard also stated that she and Ms. Romero attended Las Vegas shows (such as the Blue Man Group, a "Chippendales like" show, and Cirque de Solei) and ordered a lot of room service while at the hotel.

This trip appears to have been a personal trip since Ms. Broussard admitted they did not attend the convention.

^D LHBPA 93 records do not include an invoice for Ms. Romero and Ms. Broussard's hotel stay.

(2) **Symposium on Racing**

Location: Tucson, Arizona (Hosted by the University of Arizona)

Dates: December 3 - 6, 2007

Total Costs: \$6,636

Travelers: Mona Romero and Tammy Broussard

Records indicate that of the \$6,636 paid in connection with this trip, \$2,970 was for hotel charges at the Westin La Paloma Resort. The hotel invoices included \$1,076 in spa charges, a \$672 room upgrade, room service, restaurant charges, and a movie charge. LHBPA 93 records contained one of Ms. Romero's spa receipts, totaling \$396, indicating that she received one deep tissue massage, one clinical peel, and a Sea C Spa. The remaining charges were for registration fees, airline tickets, and a rental car.

Ms. Broussard could not recall the exact business purpose of attending this conference, but remembers that there were a lot of booths for attendees to visit. She stated that she did not attend any part of the conference, but later said that she attended one meeting about new regulations on how to administer medication to horses. This trip appears to have been a personal trip since Ms. Broussard admitted they did not attend the conference.

(3) **Airfare from New Orleans to Louisville**

Travel Date: December 29, 2009

Total Costs: \$1,347

Travelers: Two family members

Ms. Mona Romero charged \$1,347 on her LHBPA 93 credit card to purchase two one-way airline tickets for two relatives to fly from New Orleans, Louisiana to Louisville, Kentucky. Since Ms. Romero's relatives were not LHBPA 93 employees and there was no evidence that the trip related to LHBPA 93 business, the purchase of these airline tickets appears to be for the personal benefit of Ms. Romero.

(4) **Airfare from Shreveport to Louisville**

Travel Dates: February 17, 2008 and February 19, 2008

Total Costs: \$1,224

Travelers: Mona Romero and husband Gerald Romero

Ms. Romero used her LHBPA 93 credit card to purchase airline tickets for herself (roundtrip ticket) and Mr. Romero (one-way ticket) to travel from Shreveport, Louisiana to Louisville, Kentucky. According to Ms. Broussard, one of Ms. Romero's relatives that live in Kentucky was sick during this time period.

A handwritten note on the credit card statement indicates that LHBPA 93 employees were in Shreveport attending a Quarter Horse meeting. Though the LHBPA 93 was charged for a room for Ms. Romero, the credit card statement indicates that Ms. Romero was a no show at the Shreveport hotel. We spoke with Mr. Romero and he stated that he does not recall the purpose of this trip. Based on available information, the purchase of these airline tickets appears to be for the personal benefit of Ms. Romero.

(5) **Summer National HBPA Convention**

Location: Minneapolis, Minnesota

Dates: July 21 - 25, 2010

Total Costs: \$17,385

Attendees/Travelers: 9 - Two LHBPA 93 board members and one spouse, five employees, and general counsel.

Purchases made during the trip using LHBPA credit cards were for lodging, meals, car rentals, and merchandise. We obtained the detailed receipts of three purchases, totaling \$2,335, made at two restaurants and a night club by Mr. Alfortish which revealed the following:

1. The \$1,171 charge at Manny's Steakhouse included a \$175 five pound lobster, \$278 for six steaks, \$45 for a lamb chop, and \$242 in alcohol purchases that included a \$120 bottle of wine.
2. The \$659 charge at Fogo de Chao included eight dinner entrees and \$89 in alcohol purchases.
3. The \$505 charge at Seven Sushi night club was for alcoholic beverages.

Retail Purchases

During the period January 2006 to December 2010, employees used their LHBPA 93 credit cards to make retail purchases totaling \$212,637. Of the 945 charges, 72% were not supported with a detailed receipt. These charges include purchases made from newegg.com, AT&T, tigerdirect.com, Home Depot, Office Depot, Lowes, Dillard's, Kirkland's, Wal-Mart, Hobby Lobby and other retail websites and stores. Based on available receipts, we identified \$3,959 of purchases made by Ms. Romero and Ms. Broussard for their personal benefit, which may violate state law.¹³ These personal purchases are discussed below:

1. Ms. Romero and Ms. Broussard purchased a total of \$1,643 in clothing and \$128 in salon expenses to attend Governor Jindal's inauguration festivities (held from January 12 through January 14, 2008). Purchases included evening gowns, shoes, accessories, and hair products.
2. During the period, Ms. Romero made retail purchases for her personal benefit totaling \$1,086. Some of the purchases were marked "Pay Back HBPA-Mistake with card," but Ms. Romero did not reimburse the LHBPA 93 for these purchases. The personal purchases were made at the following stores:
 - a. Albertson's - \$498 for groceries (marked "Pay Back HBPA-Mistake with card" on statement)
 - b. Veteran's Ford - \$289 for personal vehicle repairs
 - c. Bloomingdale's - \$151 (no receipt, marked "Pay Back HBPA-Mistake with card" on statement)
 - d. Victoria's Secret - \$83 (no receipt, marked "Pay Back HBPA-Mistake with card" on statement)
 - e. J&D Cleaners - \$40 (no receipt)
 - f. Southern Orthopedic - \$25 co-pay for doctor's visit
3. During the period, Ms. Broussard made retail purchases for her personal benefit totaling \$1,102 at the following stores:
 - a. Best Buy - \$944 for iPod touch and wireless stereo. According to Ms. Broussard, Mr. Alfortish approved the purchase and told her that he was going to buy her a gift.
 - b. Express Care Auto - \$158 for oil change, car wash, and wax for Ms. Broussard's personal vehicle.

In-State Travel

Credit card records for the period of our review indicate that purchases totaling \$117,768 are directly related to in-state travel and that 84% are not supported by a detailed receipt. Since there are four racetracks located throughout the state, it is reasonable for management and staff of LHBPA 93 to incur in-state travel expenses for attending out-of-town board meetings, meetings with racetrack personnel, and for travel related to the WC Program. However, our review revealed possible abuses with in-state travel expenses.

Based on available receipts, we identified \$170 of purchases made by Mr. Alfortish for his personal benefit, which may violate state law.¹³ Mr. Alfortish charged two hotel stays totaling \$170 at the LaQuinta Inn in Metairie, Louisiana on August 28, 2007 and September 11, 2007. This hotel is approximately 8 miles from Mr. Alfortish's personal residence (at the time). A handwritten note on the credit card statement says "No Electric." According to Entergy New Orleans, there were no power outages on these dates at Mr. Alfortish's residence.

We also identified \$750 of purchases made by Ms. Romero for which there was no indication of the business purpose as follows:

- On April 16, 2008, Ms. Romero charged \$480 for four guests at Ruth's Chris Steak House in Lafayette, Louisiana, which included \$138 of charges for alcoholic beverages.
- On December 3, 2006, Ms. Romero charged \$270 for a weekend stay at the L'Auberge du Lac Hotel and Casino in Lake Charles, Louisiana, which included \$200 of charges which included bar purchases, and a movie.

Purchases at Fuel Stations

From January 2006 to December 2010, employees made 635 credit card purchases at fuel stations totaling \$34,558. Of the 635 purchases, 96% were not supported with an itemized receipt. During our review, we noted the following with respect to purchases made by Mr. Alfortish, Ms. Romero, and Ms. Broussard:

Mr. Alfortish's Purchases

- Of the total \$16,300 in fuel station purchases charged to Mr. Alfortish's credit card, only two of his 253 purchases were supported by receipts. Mileage logs/records were not available to account for his business use of fuel.
- We noted that LHBPA 93's by-laws¹⁴ prohibit compensation to officers unless authorized by the board of directors. LHBPA 93 board records do

not discuss or indicate that Mr. Alfortish (as LHBPA 93 board president or as the WC and simulcast directors) had board approval for his purchase of gasoline for his personal vehicle.

- Mr. Alfortish was the only board member that had a LHBPA 93 credit card to pay for fuel expenses. All other board members personally paid for their fuel and then were reimbursed based on business mileage records submitted.
- On average, Mr. Alfortish made one purchase per week averaging \$64.43 at fuel stations, which were usually located in the Greater New Orleans area. We also noted that during some of the time period, Mr. Alfortish made purchases at fuel stations more than once per week. As there were no records documenting his use of these purchases, we could not quantify the amount used for his personal benefit.

Ms. Romero's Purchases

- Of the total \$8,945 in fuel station purchases charged to Ms. Romero's credit card, only 16 of her 185 purchases were supported by receipts. Mileage logs/records were not available to account for her business versus personal use of fuel.

Ms. Broussard's Purchases

- Of the total \$5,680 in fuel station purchases charged to Ms. Broussard's credit card, only one of her 101 purchases was supported by a receipt. Mileage logs/records were not available to account for her business use of fuel.
- Although Ms. Broussard worked in the WC Program and was required to travel to racetracks and trainer farms to perform her duties, she admitted that, on occasion, she used the LHBPA 93 vehicle and fuel for her personal benefit. However, since there were no records documenting her use of these purchases, we could not quantify the amount used for her personal benefit.

Local Meals

LHBPA 93 records indicate that from January 2006 to December 2010, 239 purchases, totaling \$32,086, were made at restaurants located in the Greater New Orleans area. Of the 239 purchases, 85% were not supported with a detailed receipt. Available records indicate that employees used the credit cards to purchase meals throughout the work week and on weekends. Charges ranged from a low of \$7.48 at Smoothie King to a high of \$1,806 at Impastato's Restaurant. According to credit card statements, Ms. Romero purchased 161 (67%) of the 239 meals. We reviewed four local meal purchases that were supported by an itemized receipt and noted the following:

1. On Friday January 26, 2007, Mr. Nick Leggio, former WC program director, charged \$1,131 at Morton's The Steakhouse in New Orleans for five individuals. Included in the \$1,131, alcoholic beverages totaled \$550, which included two bottles of Cakebread wine that cost \$137 each.

Mr. Leggio stated that the dinner was held after a Louisiana Racing Commission meeting and that Ms. Romero, Gerald Romero, Mr. Alfortish, and another LHBPA 93 employee attended the meal. He also stated that the wine bottles were ordered by Ms. Romero and Mr. Alfortish and that alcohol consumption during a meal was common.
2. On Tuesday, November 15, 2007, Ms. Romero charged \$711 at Mr. B's Bistro in New Orleans which included alcohol purchases totaling \$190. The receipt listed Broadspire, a vendor of LHBPA 93, as the attendee.
3. On Saturday, October 4, 2008, Ms. Romero charged \$306 at Ruth's Chris Steakhouse in New Orleans which included alcohol purchases totaling \$110.
4. On Friday, January 3, 2009, Ms. Romero charged \$774 at Austin's in Metairie which included alcohol purchases totaling \$84. The receipt listed the vendor AFLAC as the attendee.

Although some of the available meal receipts had documentation of the names of attendees, the business purpose of each meal was not documented. The monthly credit card statement alone is not adequate documentation as it does not provide sufficient detail to support the business purpose for the meal charges.

Celebratory Functions

Written descriptions on available records indicated that 55 credit card purchases totaling \$19,093 were related to celebratory functions such as employee birthdays, Christmas, and a retirement party. Of the 55 purchases, 49% were not supported with a detailed receipt. Mr. Edwin Fenasci, secretary-treasurer, stated that Ms. Romero usually sent someone out to pick up lunch and a birthday cake for employee birthdays. Also according to Mr. Fenasci, there were never any written or verbal communication from Ms. Romero regarding their spending practices for employee birthdays and office celebrations.

One of the LHBPA 93 celebrations we noted was held on March 29, 2009, at the Fairgrounds Racetrack in New Orleans. Credit card charges totaling \$3,947 were incurred to host a retirement dinner for a former LHBPA president. LHBPA 93 records indicate that purchases for the 103 attendees included a buffet dinner, admission to the racetrack, a racing program, and alcohol totaling \$550.

We note that the Louisiana Attorney General has opined (Opinion 03-0387) that in general, the payment of or reimbursement for food, drink, or other expenses associated with luncheons, banquets, parties or other similar functions from public funds is improper under state law.¹⁵

Gifts and Donations

During the period January 2006 to December 2010, employees used their LHBPA 93 credit cards to purchase gifts and provide donations totaling \$17,690. Of the 58 transactions, 59% were not supported with a detailed receipt. These gifts and donations were provided to vendors, board members and spouses, employees, and charitable institutions and may be improper under state law.¹⁵ Examples of gifts and donations are as follows:

- Between 2006 and 2010, Ms. Romero purchased \$7,018 of Enstrom candy. According to LHBPA 93 records, the candy was purchased as gifts for vendors, employees, board members, and others.
- Ms. Romero purchased, on December 15, 2007, diamond cufflinks at Lee Michael's Fine Jewelry totaling \$321. According to LHBPA 93 records, this purchase was a gift for Mr. Alfortish.
- Ms. Romero purchased, on December 6, 2008, 11 pairs of Nikon binoculars at Academy Sports and Outdoors totaling \$1,198. According to LHBPA 93 records, the binoculars were purchased as a Christmas gift for the board members.

Political Campaign Fund Raising

From June 2007 through March 2009, LHBPA 93 employees participated in campaign fund raising for Governor Jindal and former Senator Nick Gautreaux. During this period, employees charged a total of \$7,183 on their LHBPA 93 credit cards for travel and meals related to political fund raising for Governor Jindal and to attend his Inaugural Ball. In addition, LHBPA 93 paid a \$500 bonus to the two employees who raised the most money for Senator Gautreaux. E-mails from Ms. Romero and Ms. Broussard indicate that employees raised more than \$150,000 for Governor Jindal and \$6,200 for former Senator Gautreaux.

Of the \$7,183 charged on LHBPA 93 credit cards, \$4,714 (65%) was spent in connection with hosting two breakfast fundraisers for Governor Jindal, one of which was held in Baton Rouge and the other in San Diego, California. Records also indicate that Mr. Alfortish, Ms. Romero, and Ms. Broussard used their LHBPA 93 credit cards to pay for expenses, totaling \$2,469, to attend Governor Jindal's Inaugural Ball that was held in January 2008. The expenses for attending the Inaugural Ball were comprised of the following:

- (1) \$1,894 of hotel charges;
- (2) \$418 charge at Fleming's Restaurant; and
- (3) \$157 of fuel charges.

According to Ms. Broussard, she could not afford to attend the Inaugural Ball but attended at the insistence of Mr. Alfortish. She also said that Mr. Alfortish gave her and Ms. Romero permission to use their LHBPA 93 credit card to purchase their evening gowns (see section on *Retail Purchases*).

LHBPA 93 records also indicated that employees campaigned to raise funds for former Senator Nick Gautreaux. According to Ms. Broussard and e-mails sent by Ms. Romero, Ms. Romero instructed at least nine employees to campaign during work hours. For example, employees were instructed to post flyers (created and printed by employees), make telephone calls, and visit horsemen in their barn areas. Furthermore, we noted that LHBPA 93 used its statutorily dedicated funds to pay a \$500 bonus to both Ms. Broussard and Ms. Romero. According to Ms. Broussard, Ms. Romero offered \$1,000 to the employee who could raise the most money for former Senator Gautreaux's campaign. At the end of the contest, Ms. Romero declared a tie between Ms. Broussard and herself, and the two of them split the \$1,000 bonus.

We have no evidence or any reason to believe Governor Bobby Jindal or his campaign staff was aware of the specifics of the fund raising activities. Likewise, there is no evidence to indicate former Senator Nick Gautreaux was aware of the specifics of the fund raising activities.

We spoke with former Senator Gautreaux who confirmed he had no knowledge of the specifics of the fund raising activities.

According to Mr. James Gelpi and records filed with the Louisiana Secretary of State, LHBPA 93 created the Horsemen's Alliance (a political action committee) in 2003 to raise and distribute monies to advance political issues in favor of the horsemen. However, because LHBPA 93 used its employees to raise political campaign funds, LHBPA 93 may have violated Internal Revenue Service regulations,¹⁶ which could negatively impact its not-for-profit status and subject it to further government regulation and taxation. We attempted to contact Mr. Alfortish and Ms. Romero but neither of them would speak with us regarding this matter.

2. 2008 National HBPA Winter Convention Expenses

LHBPA 93 incurred improper and excessive expenses totaling \$94,107^E to host the 2008 National HBPA Winter Convention (held in New Orleans). All expenses were paid by the Medical Trust, of which a portion was subsequently allocated to the other three horsemen affiliated entities for reimbursement, which may violate state law.^{3, 4, 7, 8, 9, 11}

According to a representative at the National HBPA office, when an affiliate office agrees to host a national convention, the affiliate is obligated to only pay the cost of motor coach bus transportation to shuttle attendees for one day to the races and to pay up to \$10,000 for a welcome cocktail reception. The National HBPA representative also stated that any other expenses for extra parties or events are the local affiliate's responsibility.

The following table summarizes the convention-related expenses.

Vendor/Description	Amount
Hotel Intercontinental - Mardi Gras parade stands and party expenses	\$25,360
Hotel Intercontinental - Lodging, meals, etc.	24,645
Credit card charges	20,370
Hotel Intercontinental - Welcome Reception expenses	11,610
Pat O'Brien's - Convention Ball expenses	10,698
Other expenses	10,424
Less - sponsor donations	(9,000)
Total	\$94,107

Our review revealed the following:

- Hotel Intercontinental expenses for the Mardi Gras parade stands and party expenses comprised the following:
 - \$2,500 for guests to sit in viewing stands set up on St. Charles Avenue (at the hotel's location) to view parades
 - \$13,612 for food for the 250 guests (includes a service charge and taxes)
 - \$9,248 for alcohol (included wine, beer, and cocktails) and soft drinks
- Hotel Intercontinental expenses for lodging and meals included \$10,458 for one buffet lunch provided to convention attendees and \$14,187 for the lodging costs of 17 people. The lodging costs were for LHBPA 93 staff, board members and general counsel, one chaplain, and one member from the Louisiana Thoroughbred Association. We noted that of the 17 who stayed at the hotel, eight of them lived

^E Actual expenses totaled \$103,107; however, LHBPA 93 received \$9,000 in sponsor funds reducing the total expenses to \$94,107.

in the greater New Orleans area. A majority of the hotel rooms cost \$169 per night plus tax; however, both Ms. Romero's and Mr. Alfortish's hotel rooms cost \$500 per night (plus tax) and both included an adjoining private meeting room.

- The credit card charges incurred during the convention totaled \$20,370, which included a \$12,602 payment to Pat O'Brien's for food and drinks provided at the convention ball. The remaining \$7,768 was various charges incurred at the hotel (e.g., room service, lobby lounge, internet, guaranteed no show, and in-room movie charges), local restaurants, night clubs, and retail stores.
- The Hotel Intercontinental welcome reception included food costs totaling \$6,640 (\$20 per person for 250 people plus taxes and a service charge) and an additional \$4,370 for alcohol and soft drinks. There was also a \$600 cost for entertainment provided by a disc jockey.
- The LHBPA 93 paid an \$8,748 deposit to Pat O'Brien's to host the convention ball and paid \$1,950 to a band to provide entertainment. (Note: These payments were in addition to the \$12,602 Ms. Romero charged to her LHBPA 93 credit card at Pat O'Brien's for food and drinks.)
- The majority of the other expenses were for food, bus transportation, printed material, and miscellaneous retail purchases.

3. Flowers, Gift, and Donations

During the period January 2006 through December 2008, LHBPA management improperly used funds of the Medical Trust to (1) donate \$19,042 to chaplains and others; (2) purchase \$7,587 worth of flowers; and (3) pay \$1,041 for trophies for the White Horse awards banquet. We note that the Louisiana Attorney General opined (Opinion 03-0157) that public funds cannot be used to purchase flowers and gifts for public employees or volunteers, but also determined that privately funded 'flower and gift funds' can be established. A portion of these costs was subsequently allocated to the three other horsemen affiliated entities for reimbursement, which may be improper under state law.¹⁵

4. Celebratory and Catered Events

During the period, LHBPA 93 management improperly used Medical Trust funds to pay for Christmas parties, birthday parties, a Thanksgiving dinner, and catered events totaling \$18,664, which may violate state law.¹⁵ We note that the Louisiana Attorney General has opined (Opinion 03-0387) that in general, the payment of or reimbursement for food, drink, or other expenses associated with luncheons, banquets, parties or other similar functions from public funds is improper under state law. A portion of these costs was allocated to the three other horsemen affiliated entities for reimbursement, which may be improper under state law.¹⁵

5. Vehicle Lease Payments and Traffic Violation Payments

Funds of the Medical Trust were improperly used to pay vehicle lease payments totaling \$13,215 and traffic citations totaling \$255.

Ms. Romero's LHBPA 93 company car was leased from an automobile dealership and the lease payments during 2007 and 2008 (\$13,215) were paid 100% from the Medical Trust. Howard Murray Woodward, medical administrator for LHBPA 93, stated that Ms. Romero did little work related to the Medical Trust and that 10% of the lease payments would be a better estimate of her work associated with the Medical Trust. Mr. Fenasci stated that the lease payments were not allocated to other affiliated entities because the payments were charged to the wrong general ledger account.

Although Ms. Romero and Ms. Broussard were issued traffic citations while driving vehicles owned by LHBPA 93, the \$255 of fines paid on their behalf may violate state law.¹¹

6. Other Miscellaneous Expenses

Medical Trust funds were improperly used to pay for (1) surveillance of an LHBPA employee totaling \$4,821; (2) the rental of a racetrack's kitchen totaling \$6,050; and (3) paintings made of the past presidents of LHBPA 93 totaling \$1,922. A portion of these costs was allocated to the three affiliated entities. These expenses may violate state law¹¹ because they relate to the operations of LHBPA 93, and it is not clear how they provide a benefit to the horsemen's Medical Trust, Pension Trust, or WC Program.

Improper Use of Video Poker Settlement Funds

LHBPA 93 improperly used unclaimed video poker settlement funds totaling \$1,000,000 to pay for its operating and administrative expenses. Since these funds are owed to individual horse owners (horsemen), LHBPA 93 may have violated state law.¹⁷

During 2003 and 2004, LHBPA 93 received a total of \$35 million in video poker settlement funds from the Louisiana Downs (LAD) and Fair Grounds (FG) racetracks. This settlement resulted from a petition for damages that was filed in 1994 on behalf of Louisiana horsemen. The lawsuit claimed that the racetracks were incorrectly calculating the purse supplements due to horse owners from the revenue generated by video poker at the racetracks.

LHBPA 93 issued and mailed checks to the appropriate winning horsemen.^F However, Mr. Woodward, medical administrator for LHBPA 93, stated that if a check was returned (e.g., wrong address), they tried to find different addresses for the recipient and would mail the check again. According to Mr. Woodward, the returned checks that could not be delivered to horsemen (for lack of a correct address) were placed in a box; however, no one at the LHBPA 93 office could provide us with any returned checks.

^F LHBPA 93 also issued an Internal Revenue Service tax form 1099 for each recipient.

As of December 30, 2005, financial records of LHBPA 93 indicated that the horsemen's unclaimed settlement funds totaled \$1,191,644. During the subsequent period from January 2006 to April 20, 2010, records indicate that \$1,004,938 (84%) of the unclaimed settlement funds were improperly spent as follows:

1. \$451,224 was used to repair damages to the LHBPA 93 office building caused by Hurricane Katrina. We noted that LHBPA 93 filed an insurance claim and received \$345,323; however, LHBPA 93 did not repay the horsemen's video poker settlement fund.
2. \$256,101 was transferred to the LHBPA 93 bank account.
3. \$201,929 was used to purchase four trailers for use as offices for the WC Program.
4. \$71,491 was used to pay for legal fees incurred by LHBPA 93.
5. \$14,193 was used for miscellaneous building maintenance services.
6. \$10,000 was donated to the Ohio HBPA.

The current general counsel for LHBPA 93, Mr. P.J. Stakelum, stated that the lawsuit settlement funds are purse monies that should have been deposited in the bookkeeper account as purse supplements. Mr. Stakelum stated that the settlement funds were to be paid to horse owners and that LHBPA 93 cannot use that money as they see fit.

The use of the video poker settlement funds by LHBPA 93 was also questioned by the independent counsel hired by the LHBPA 93 to review and address certain issues that arose from civil litigation. Regarding the use of settlement funds (by LHBPA 93) to pay for office building repairs and not reimburse the horsemen's settlement fund with insurance proceeds, the March 22, 2010, report issued by the independent counsel states:

Alfortish and Romero told me that the decision not to reimburse the Video Poker Settlement Accounts with the insurance proceeds after the proceeds were received in March 2007 was a business decision that they made.

The report of the independent counsel also indicates that the plaintiffs, LHBPA 93, acknowledged that the video poker settlement accounts are prize money due to individual horsemen. Since these funds belong to individual horsemen, the LHBPA does not have authority to use the funds for operations. Neither Mr. Alfortish nor Ms. Romero would speak with us regarding this matter.

Improper Salary Payments to Sean Alfortish

From April 26, 2007 through December 1, 2010, Mr. Alfortish may have violated state law¹³ by receiving \$395,776 for work he did not perform or for services grossly inadequate for his compensation as follows:

- 1. Mr. Alfortish as the WC director and simulcast director of LHBPA 93, was paid \$370,776 while at the same time he was (a) serving as LHBPA 93 board president; (b) serving as a part-time magistrate for the City of Kenner; and (c) operating his personal law firm.**
- 2. Mr. Alfortish was paid \$25,000 in retroactive pay for a time period that he was not an employee.**

Director Compensation

The April 29, 2007, Finance Committee minutes (unsigned) reflect that the committee appointed Mr. Alfortish as the WC director and the simulcast director at a salary of \$100,000 (\$50,000 for each position). Mr. Alfortish's salary cost was paid by LHBPA 93 and a portion was subsequently allocated to the WC Program (50%), Medical Trust (20%-35%), and Pension Trust (0%-10%). According to LHBPA 93 records, the allocation percentages varied from year to year. Since Mr. Alfortish's duties did not involve the Medical or Pension Trusts, the allocation of those costs to the Trusts may violate state law.^{3, 4, 7, 8}

According to Christine Early, Finance Committee chairperson, during 2007, there were no expectations of Mr. Alfortish regarding duties to be performed or hours to be worked for the compensation paid to him as the WC director and simulcast director. The LHBPA 93 Board of Directors subsequently ratified his employment in August 2009. LHBPA 93 could not provide job descriptions for the director positions held by Mr. Alfortish, nor were time sheets or other evidence provided that would substantiate work he performed as the WC and simulcast directors.

WC Director

The minutes of the February 2008 board meeting reflect that Mr. Alfortish stated the WC director position was a "full time job" and that he "couldn't do it for nothing." However, five LHBPA 93 employees at the New Orleans office stated that Mr. Alfortish did not come to the office or that he only came to the office when there was an important meeting or board meeting. Furthermore, we (auditors) used Mr. Alfortish's office during our fieldwork and noted he did not come to the LHBPA 93 office unless there was a board meeting.

According to both Ms. Broussard and Robert Polini, a former WC program employee, their job duties increased because Mr. Alfortish did not perform any of the duties performed by the previous WC director. Nick Leggio, the former WC program director who resigned in March 2007, stated that he was expected to work 40 hours per week overseeing the WC Program and supervising employees.

Mr. Polini stated that since Mr. Alfortish did not come to the office, Ms. Romero became his “go to person.” Ms. Broussard stated that she consulted with WC program legal counsel, since Mr. Alfortish did not come to the office and was not involved in the day-to-day activities. Ms. Broussard also stated that Mr. Alfortish only got involved (in a worker’s compensation claim) if he did not want to report the claim to the third party administrator or if someone asked him to look into a claim.

Simulcast Director

LHBPA 93 could not provide evidence of work performed by Mr. Alfortish as the simulcast director. The horse racing industry uses simulcasting to broadcast horse races to off-track-betting parlors. According to Mr. Fenasci, the Federal Interstate Horse Racing Act provides that Louisiana racetrack simulcasting rates must be approved by the LHBPA 93. Mr. Fenasci further stated that historically, this approval was made by the LHBPA 93 board president.

Mr. Fenasci also stated that he was hired in February 2009 as the simulcast and WC administrator and that he performed all of the investigation and analysis for Mr. Alfortish to review and approve. According to Mr. Fenasci, the simulcast administrator position was not a full-time job and as the only simulcast employee, he (Fenasci) averaged approximately 10 to 15 hours of work per week. Mr. Fenasci stated that he does not know if anyone assisted Mr. Alfortish with reviewing and analyzing simulcasting rates prior to his employment.

During our audit, we noted that two administrative secretaries stated that they typed and sent out simulcasting approval letters to the racetracks. Even though Mr. Fenasci is currently the LHBPA 93 secretary-treasurer, he still performs the simulcast administrator duties and as of February 24, 2012, he was providing the rates for approval to the current LHBPA 93 board president.

Ms. Early stated that Mr. Alfortish was always at the racetracks or on the phone so the Finance Committee never doubted that he was working. Ms. Romero stated that Mr. Alfortish was never in the office, did not need to be at the office, and his cell phone activity is a good indication of the amount of work he performed for the Horsemen. Since LHBPA 93 has no evidence of work product or time sheets showing that Mr. Alfortish performed director duties, he may have been compensated for work not performed or for services grossly inadequate for such compensation.

Retroactive Pay

Although Mr. Alfortish started employment as the WC director on April 26, 2007, the minutes of the April 29, 2007, Finance Committee meeting reflect that the committee voted to pay him \$25,000 in retroactive compensation as if he had served as both the WC and simulcast director beginning on January 26, 2007. Furthermore, records indicate that Mr. Leggio was employed and compensated as the WC director up until March 16, 2007. Since Mr. Alfortish received compensation for work that other employees performed or for work he may have performed as the board president and not as the WC or simulcast director, he was not entitled to this retroactive pay.

Overdrawn Bookkeeper Accounts

LHBPA 93 allowed horsemen bookkeeper accounts to be overdrawn, which may be in violation of state law.¹⁷ As of July 31, 2012, there were 603 horsemen bookkeeper accounts that were overdrawn by a total of \$123,006.

State law¹⁸ provides that LHBPA 93 shall establish and administer a bookkeeper account (a bank account) for the collection, disbursement, and investment of monies belonging to horsemen licensed and racing in Louisiana. This account is used to capture prize winnings of individual horsemen which can be withdrawn and/or used to pay for miscellaneous racing fees and other dues. State law¹⁷ also provides that the Horsemen's Bookkeeper Account shall have, on deposit, funds sufficient to cover all monies due to horsemen. According to Mr. Fenasci, the negative (overdrawn) account balances are due to:

- (1) owners and trainers being allowed to cash checks (personal and business checks) at the race tracks which are subsequently returned by the bank because of non-sufficient funds in their bank accounts (i.e., NSF checks); and
- (2) owners being allowed to race without having sufficient funds available to pay racing fees.

Mr. Fenasci stated that the majority of the negative balances are due to LHBPA "guaranteeing" the payment of owner's and trainer's employee payroll checks that are cashed at the racetrack. Trainers and owners that want to cash a personal check have to get their check stamped "approved" by the LHBPA 93 bookkeeper. He also stated that this practice began approximately 28 years ago when Louisiana racetracks stopped cashing these checks because of a high quantity of the checks being returned as NSF. LHBPA 93 entered into an arrangement with the racetracks whereby LHBPA 93 would guarantee all checks with the LHBPA 93 approval stamp. Mr. Fenasci stated that collection letters were sent to owners and trainers that have a negative balance greater than \$200; however, there is no set schedule on how often the letter is sent. As of February 28, 2012, the last collection letter sent to owners and trainers was in August 2011.

During our review, we noted that some horsemen bookkeeper accounts have had a negative balance since 2003. We also noted that the majority of the accounts had less than a \$200 negative balance.

According to Mr. Fenasci, Ms. Romero was responsible for overseeing the LHBPA bookkeeper account and the collection of funds from owners and trainers (to eliminate the horsemen's negative account balances). He also stated that Ms. Romero approved payment plans for some of the individuals with large negative account balances. Mr. Fenasci said that he took over this responsibility in November 2010, when Ms. Romero was no longer employed by LHBPA 93. Mr. Fenasci also stated that the only action the LHBPA 93 bookkeeper can take against owners that do not have enough funds to pay racing fees is to notify the race steward (referee) who can scratch the horse from the race.

Ownership of New Orleans Office Building

Prior to 1993 and before LHBPA reorganized into LHBPA 93, LHBPA spent approximately \$796,000 of the restricted Medical Trust funds to purchase land and construct the New Orleans office building. Although LHBPA 93 currently owns and occupies the building, LHBPA 93 does not have records to demonstrate that it purchased the property from the Medical Trust. If the Medical Trust donated the property to LHBPA 93, this action may violate the state constitution.¹⁵

According to Orleans Parish Civil District Court records^G and the Act of Sale, between April 1980 and March 1982, the LHBPA used \$132,971 of Medical Trust funds to (1) purchase the land (\$110,000) on which the current LHBPA 93 office building is located and (2) pay for architectural designs (\$22,971). Court records^G also demonstrate that LHBPA intended to use additional Medical Trust funds for the construction of a building for the administration of the medical benefit program. According to the December 31, 2010, Consolidated Financial Statements of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc., the historical cost of the office building is \$685,760 and the land is \$110,000, for a total of \$795,760. Furthermore, the Orleans Parish Assessor's records indicate that LHBPA 93 is the owner of the building and land. According to Mr. Fenasci, secretary-treasurer of LHBPA 93, he has not seen any documents related to the purchase of the land or construction of the LHBPA 93 office building. Since the LHBPA 93 is the owner of record and there were no records to demonstrate that LHBPA 93 purchased the property from the Medical Trust, the land and building may have been improperly donated to the LHBPA 93.

^G Civil District Court for the Parish of Orleans, State of Louisiana, No. 82-6016; Pasquelina Sabino Wife of William I. Fox Versus Horsemen's Benevolent and Protective Association: Petition of Injunctive Relief.

Recommendations

Improper Use of Statutorily Dedicated Funds by Former Management

LHBPA 93 management should:

- Develop, adopt, and implement detailed written policies for the payment of vendor invoices (including credit cards). This policy should require management approval prior to payment and the original invoice or receipt as well as ensuring each payment has a clear benefit to horsemen.
- Seek legal advice as to the appropriate actions to be taken related to the improper purchases made by current and former employees for their personal benefit.
- Seek explanations from current and former employees regarding undocumented purchases.
- Develop, adopt, and implement a written policy for credit cards that provides guidelines and restrictions such as:
 - a. requiring employees to turn in all receipts, including itemized receipts for meal purchases;
 - b. requiring documentation of the business purpose and attendees of all meals charged to the credit card;
 - c. requiring credit card users to sign a form acknowledging their understanding of the policy and personal responsibility; and
 - d. prohibiting the use of the credit cards for personal purchases.

Improper Use of Video Poker Settlement Funds

LHBPA 93 should (1) seek legal advice regarding the \$1,004,937 spent from the horsemen's video poker settlement fund and (2) review all transactions in the settlement fund made prior to January 2006 for any additional improper expenses.

Improper Salary Payments to Sean Alfortish

LHBPA 93 management should seek legal advice as to the appropriate actions to be taken related to the salary payments to Mr. Alfortish.

Overdrawn Bookkeeper Accounts

The LHBPA 93 should:

- (1) discontinue guaranteeing personal and business checks;
- (2) stop paying racing fees for horse owners with negative balances; and
- (3) aggressively pursue collection from horse owners and trainers with negative account balances and seek legal advice if necessary.

Ownership of New Orleans Office Building

We recommend that LHBPA 93 either purchase the property (land and building) from the Medical Trust or transfer ownership of the property to the Medical Trust.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (R.S.) 4§179.1** provides that “the Horsemen's Benevolent and Protective Association is hereby designated and 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 purses, hospitalization, medical benefits, conditions, and all other matters of interest and concern to such horsemen.”

² **IRS Exemption Requirements - Section 501(c)(3)** states, “to be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.”

³ **RS 4§185(B)(3)** provides that “interest earned on the investment of monies in the Horsemen's Bookkeeper Account and that portion of a pony lead fee as hereby 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 Paragraph (2) of this Subsection.”

⁴ **R.S. 27§438(B)(4)** provides, in part, that “four percent of all monies earned or authorized in accordance with the provisions of this Section for purse supplements shall be paid the authorized representative of the horsemen for the use and benefit of such persons and other horsemen as medical and hospital benefits. However, provisions of this Paragraph shall not apply if provisions of **R.S. 4§183** as currently in effect require such a deduction from monies earned for purse supplements under this Section, and provisions of this Paragraph would result in duplication of designated funds for hospitalization for horsemen.”

⁵ **R.S. 27§361(B)(4)(a)(i)** provides that “seventy percent to supplement purses for thoroughbred races at that facility or any facility licensed by the Louisiana State Racing Commission to conduct additional or substitute races or race days as authorized by **R.S. 4§147.1**, thirty percent of which shall be for Louisiana-bred thoroughbred horses. Four percent of this amount shall go to the Horsemen's Benevolent and Protective Association in accordance with law.”

⁶ **R.S. 27§361(B)(4)(a)(ii)** provides that “thirty percent to supplement purses for quarter horse races at that facility or any facility licensed by the Louisiana State Racing Commission to conduct additional or substitute races or race days as authorized by **R.S. 4§147.1**, sixty percent of which shall be for Louisiana-bred quarter horses. Four percent of this amount shall go to the Horsemen's Benevolent and Protective Association in accordance with law.”

⁷ **R.S. 4§183 (A)(4)(b)** provides that “four percent thereof to the Horsemen's Benevolent and Protective Association for the use and benefit of such permittees, their employees, and others as medical and hospital benefits with an amount not to exceed thirty percent aforesaid of the commissions and amounts received by the Horsemen's Benevolent and Protective Association to be used for administrative expenses and other costs necessary to provide the benefits.”

⁸ **R.S. 4§217(D)(1)(d)** provides that “two percent shall be distributed to the Horsemen's Benevolent and Protective Association for the use and benefit of such persons and other horsemen as medical and hospital benefits with an amount not to exceed thirty percent thereof to be used for administrative expenses and other costs necessary to provide the benefits.”

⁹ **R.S. 4§252(C)(5)** provides that “the total amount of purses and purse supplements authorized for use by the Horsemen's Benevolent and Protective Association for establishment, operation or administration of the insurance program authorized in this Part shall not exceed two percent of the total amount of purses and purse supplements available for purses for any race meet.”

¹⁰ In 2008 the Pension Trust began receiving additional funding from fees from Video Poker, Slots and Pari-Mutuel Wagering in accordance with **R.S. 4§251.1(B)(1)** which states, “Of the purses and purse supplements authorized for use by the Horsemen's Benevolent and Protective Association in this Part for the Horsemen's Benevolent and Protective Association's workers compensation insurance program, pursuant to **R.S. 4§252(C)(5)**, the Horsemen's Benevolent and Protective Association may utilize up to one-half of that authorized two percent of the total amount of purses and purse supplements available for purses for any race meet for the improvement and administration of the Horsemen's Self-Help Pension Program without the limitations and conditions established for the Horsemen's

Benevolent and Protective Association's workers compensation insurance program but with the limitations expressly established in Paragraphs (2) and (3) of this Subsection for the Horsemen's Self-Help Pension Program.”

¹¹ **R.S. 4§179.2** provides that “any horsemen's organization or organization representing horsemen shall be either a corporation or a trust, or both, organized under the laws of this state, in order to receive a distribution, allocation, or deduction of any funds under the provisions of Part I and Part I-A of this Chapter. Any funds received by such organization from any such distribution, allocation, or deduction shall be used only for the benefit of horsemen racing in the state of Louisiana.”

¹² **R.S. 4§185.1** provides, in part, that “the Legislative Audit Advisory Council may order additional audits of the LHBPA and its operations and programs.”

¹³ **R.S. 14§67(A)** provides, in part, “theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.”

¹⁴ **Louisiana HBPA By laws Section 9, Compensation of Officers Prohibited; Subsistence and Travel Expense Reimbursement** states that “no Officer or Director of the Association other than the Executive Director, General Counsel and Secretary-Treasurer shall receive anything of value, directly or indirectly, for serving in their official capacity with the Association, except as authorized by the Board of Directors.

¹⁵ **Louisiana Constitution Article VII, Section 14(A)** provides, in part, “Prohibited Uses. Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.”

¹⁶ **Internal Revenue Service (IRS) Publication 557** regarding 501(c) (3) organizations states, in part, that “If any of the activities (whether or not substantial) of your organization consist of participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for public office, your organization will not qualify for tax-exempt status under section 501(c) (3). Such participation or intervention includes the publishing or distributing of statements.”

¹⁷ **R.S. 4§185 (B)(2)** provides that at all times the Horsemen’s Bookkeeper Account shall have on deposit funds sufficient to cover all monies due to horsemen with regard to daily purses, jockey fees, stakes, handicaps, rewards, claims, deposits, monies, if any, for horsemen’s medical and hospital benefit programs, National Thoroughbred Racing Association, Inc. dues, and pony lead fees.

¹⁸ **R.S. 4§185 A(1)** provides, in part, that there shall be a bookkeeper at each race meeting conducted in this state for the collection, disbursement, and investment of monies belonging to horsemen licensed and racing at such a race meeting who shall be known as the Horsemen's Bookkeeper.

APPENDIX A

Management's Response

Louisiana Horsemen's Benevolent & Protective Association, Inc.

BOARD OF DIRECTORS

Owners

Tom Abbott
Bobby Dupre
Christine Early
Marcia Lamarche
Arthur Morrell

Chairman
Stanley Seelig



Executive Director
R. Keith Gee

BOARD OF DIRECTORS

Trainers

Sam Breaux
Patrick Mouton
Kenny Roberts, Sr.
Don Stemmans
Terry Vance

February 28, 2013

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Draft of investigative audit report on the Louisiana Horsemen's
Benevolent & Protective Association 1993, Inc.

Dear Mr. Purpera:

This letter is submitted on behalf of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. ("LHBPA 93") in response to the draft of your investigative audit report that accompanied Eric S. Sloan's cover letter to me dated January 31, 2013 (the "Report"). This response will address the major subcategories of the Report as set forth in the Recommendations section.

Improper Use of Statutorily Dedicated Funds

The improper use of funds detailed in the Report related entirely to events that occurred before the current board of directors and I were elected and seated in April 2011. Most of the items listed as improper expenditures were at issue in the lawsuits which Arthur Morrell, Don Stemmans and I filed against the former president, former executive director and nine members of the old board. As you know, those lawsuits were compromised and settled last year.

Develop, adopt, and implement detailed written policies for the payment of vendor invoices (including credit cards). This policy should require management approval prior to payment and the original invoice or receipt as well as insuring each payment has a clear benefit to horsemen.

Following the resignations and/or removal of the former president and executive director of LHBPA 93, management implemented additional procedures for the payment of vendor invoices. Attached as Exhibit A is an explanation of these procedures. The key points are that vendor invoices are reviewed by at least two members of management to determine that there is a valid business purpose for the matter covered by the invoice and that the transaction is properly documented. Items so approved are scheduled for payment in a register of checks to be issued. The check register is sent

to the account signatories and must be approved by two signatories (all signatories are board members). The president is not involved in the approval and payment of vendor invoices.

On June 20, 2011, the board adopted a written policy entitled "Travel, Credit Card and Expense Reimbursement Policy and Procedures" which sets forth requirements for expense reimbursements, including that there be a business purpose, substantiation with written documentation, and timely submission of requests for reimbursement. The policy details the types of expenses that are eligible for reimbursement and the types that are not. The policy addresses travel (including air, rental cars, and personal vehicles), lodging, meals, credit card usage, cash advances related to travel, parking tickets, and moving violations. The policy also places restrictions on the purchase of alcoholic beverages and monetary limits on meal reimbursements. A copy of this policy is annexed hereto as Exhibit B.

On November 8, 2011, the board adopted an additional written policy entitled "LHBPA Credit Card Policy Statement" which sets forth the persons to whom a company credit card will be issued, the restrictions placed on the use of company credit cards, the documentation requirements that must be satisfied in connection with the business use of a company credit card, the consequences for misuse of a company credit card and the requirement that the person sign an agreement before receiving a corporate credit card. A copy of this policy is annexed hereto as Exhibit C.

Seek legal advice as to the appropriate actions to be taken related to the improper purchases made by current and former employees for their personal benefit.

With the exception of Ms. Broussard, all of the persons identified in the Report as having made purchases for their personal benefit were defendants in one or both of the lawsuits which Mr. Morrell, Mr. Stemmans and I filed and which were resolved through a court-approved settlement last year. In connection with that settlement, all defendants received full and complete releases. We have been advised that these releases will preclude any efforts to recover additional sums from these defendants at this time. Ms. Broussard did not receive a release as part of the settlement. There is a legal question as to whether LHBPA 93's claims against her have prescribed, because many of the likely causes of action for the recovery of such sums are subject to a prescription of one year. However, even if the claims against her have prescribed, the claims may be used as an offset in her suit against LHBPA 93, since a prescribed cause of action can always be used as a defensive shield.

Seek explanations from current and former employees regarding undocumented purchases.

Because of the releases and the issues with respect to Ms. Broussard, as discussed in the immediately preceding response, we have determined that it would serve no useful purpose to seek further explanations from current and former employees regarding undocumented purchases, since

any additional information is unlikely to enhance the chances of effecting any additional recoveries. Our attorney and I are happy to discuss this issue with you in further detail.

Develop, adopt, and implement a written policy for credit cards that provides guidelines and restrictions such as:

- a. requiring employees to turn in all receipts, including itemized receipts for meal purchases;*
- b. requiring documentation of the business purpose and attendees of all meals charged to the credit card;*
- c. requiring credit card users to sign a form acknowledging their understanding of the policy and personal responsibility; and*
- d. prohibiting the use of credit cards for personal purchases.*

As discussed *supra*, the board has already adopted written policies that address these issues. Please refer to the policies annexed hereto as Exhibits B and C.

Improper Use of Video Poker Settlement Funds

LHBPA 93 should (1) seek legal advice regarding the \$1,004,937 spent from the horsemen's video poker settlement fund, and (2) review all transactions in the settlement fund made prior to January 2006, for any additional improper expenses.

The matters discussed in the Report with respect to the alleged improper use of video poker settlement funds occurred before the current board of directors and I were elected and seated in April 2011. Most of the items listed as improper expenditures were at issue in the lawsuits which Arthur Morrell, Don Stemmans and I filed against the former president, former executive director and nine members of the old board. As you know, those lawsuits were compromised and settled last year. In keeping with your recommendation, we have asked our attorney to provide further legal advice as to the \$1,004,937 allegedly spent from the two video poker settlement accounts. Our attorney previously reviewed records of the two video poker settlement account and did not find any questionable withdrawals until after August 2005. At this time, we have no reason to believe that there was any improper use of video poker settlement funds prior to September 2005.

Improper Salary Payments To Sean Alfortish

LHBPA 93 management should seek legal advice as to the appropriate actions to be taken related to the salary payments to Mr. Alfortish.

The salary payments to Mr. Alfortish detailed in the Report occurred before the current board of directors and I were elected and seated in April 2011. At least some of these salary payments were at issue in the lawsuits which Arthur Morrell, Don Stemmans and I filed against the former president, former executive director and nine members of the old board. As you know, those lawsuits were compromised and settled last year. In connection with that compromise and settlement, Mr. Alfortish received a release from LHBPA 93. We are advised that the release will likely preclude further action against Mr. Alfortish for any improper salary payments.

Overdrawn Bookkeeper Accounts

The LHBPA 93 should:

- (1) discontinue guaranteeing personal and business checks;*
- (2) stop paying racing fees for horse owners with negative balances; and*
- (3) aggressively pursue collection from horse owners and trainers with negative account balances, and seek legal advice if necessary.*

The issue of overdrawn accounts is a problem that is complicated by the fact that LHBPA 93 has no control over who may establish a bookkeeper account. In fact, LHBPA 93 is required to provide a bookkeeper account to anyone who is licensed as an owner by the Louisiana State Racing Commission and starts a horse at a Louisiana race track. Thus, we are unable to establish credit criteria which might otherwise mitigate against overdrawn accounts. The Commission permits the use of juridical entities to function as owners. However, to my knowledge, there are no financial requirements imposed on juridical entities that function as owners. Thus, many of these juridical entities may be nothing more than shell corporations. You should also note that many owners reside out of state. Because their horses are in the care of trainers, their horses can run without the owners coming to Louisiana. Out-of-state owners pose a particularly difficult issue in terms of collecting overdrawn balances.

Overdrawn accounts result from a number of sources, including the following:

- As Mr. Fenasci noted, some of the overdrawn accounts arise when the holder of the account has a personal or payroll check approved for cashing at a race track and the check is returned to the track for insufficient funds. In this instance, when LHBPA 93 is required to make the check good to the track, the holder's account is debited for the amount paid to the track, plus related NSF charges. On occasion, this will cause an account to become overdrawn.

- A second instance occurs when an owner starts a horse and his bookkeeper account balance is not sufficient to cover his jockey fee and pony lead fee. LHBPA 93 is required to debit an account for a jockey fee and pony lead fee each time the holder on an account starts a horse.
- A third instance occurs when an account holder presents a check to the bookkeeper as a deposit to his account. The account is credited with the amount of the check. If the check is returned a week or so later as NSF, the account is debited for the amount of the check plus applicable NSF charges. These debits may cause an account to become overdrawn.
- A fourth instance occurs when a trainer attempts to pay a workers comp premium by check at a track field office. Because the workers comp office is not equipped to accept and deposit checks, the check is processed through the bookkeeper account. Bookkeeping entries enter the deposit in the bookkeeper account and then transfer the funds to the workers comp account. If a premium check is returned NSF, the process is reversed. The bookkeeper account is debited for the amount of the check plus related NSF charges, thus creating an overdrawn account until the overdraft is transferred to the workers' comp account.
- Additional overdrafts occur as a result of bookkeeper error, criminal or quasi-criminal activity, or a combination of the foregoing.

As Mr. Fenasci indicated, a predecessor organization to LHBPA 93 began guaranteeing checks when the state's several race tracks refused to cash checks because of the added expense and difficulty of collecting NFS checks. The practice continued with LHBPA 93 after the formation of LHBPA 93 in 1993. Last year, the board considered several alternatives, including whether to discontinue the practice altogether, to continue with the practice unchanged, or to continue with the practice in a modified format. The board eventually settled for the last alternative and adopted written procedures regarding the cashing of payroll checks and personal checks.

The decision to continue cashing personal checks was based, in part, on the belief that if this alternative did not exist, an owner would simply request a withdrawal from his account. These added transactions would further burden an already over-burdened bookkeeper account staff. The decision to continue cashing payroll checks was intended to benefit the backside workers, many of whom do not have local bank accounts and who would otherwise incur a disproportionately high expense to cash their payroll checks.

Currently, any trainer who desires that his payroll checks be cashed on-track is required to complete a written agreement which spells out the conditions under which payroll check approvals are given and the consequences for issuing NSF checks. Any owner who wishes to cash a personal

check at a race track is similarly required to complete a written agreement which spells out the conditions under which personal check approvals are given and the consequences for issuing NSF checks. Copies of the payroll check agreement and personal check agreement are attached hereto as Exhibits D and E, respectively.

The board is presently evaluating options for dealing with those instances in which an owner's account is overdrawn because the owner did not have sufficient funds on deposit to cover his jockey fee and pony lead fee or because a check used to make a deposit is returned NSF. Because the jockey fee and pony lead fee are automatically assessed every time an owner starts a horse, the only way to prevent the jockey fee and pony lead fee from hitting an account and causing an overdraft is to prevent the horse from starting. As you may be aware, LHBPA 93 does not have the authority to prevent a horse from starting. That action can only be taken by the racing stewards, who act under the jurisdiction of the Louisiana State Racing Commission. We have had discussions with staff at the Commission to see what assistance the Commission can offer in preventing horses from starting in those instances in which the funds on deposit in the account are not sufficient to cover the jockey fee and pony lead fee. The issue is complicated by the fact that scratches (which are what occurs when a horse is prevented from starting) lead to smaller fields, which in turn lead to lower wagering, which in turn lead to less money to split between purses and track overhead.

The board and I are continuing to monitor overdrawn accounts and will take additional action as needed.

Ownership of New Orleans Office Building

We recommend that LHBPA 93 either purchase the property (land and building) from the Medical Trust or transfer ownership of the property to the Medical Trust.

We respectfully disagree with the underlying analysis on which this recommendation in the Report is based. The flaw in the Report's analysis is that it refers to the Medical Trust as though the Medical Trust existed in 1982. When the building was constructed in the early 1980s, the purse monies earmarked for the payment of medical benefits were paid to the Horsemen's Benevolent & Protective Association ("HBPA"), which was an unincorporated association. HBPA ran the medical benefit program and performed other functions for the benefit of horsemen. The use of earmarked funds by HBPA to buy the land and construct a building was challenged in court. Both the Civil District Court for the Parish of Orleans and the Court of Appeal for the Fourth Circuit ruled that the use of funds earmarked for "administrative expenses and other costs" by HBPA for this purpose was a valid and permissible use of such funds. The Fourth Circuit's decision and the pertinent portion of the trial court's decision are available at *Fox v. Horsemen's Benevolent & Protective Association*, 426 So.2d 278 (La. App. 4th Cir.), writ denied, 433 So.2d 150 (La. 1983). As the previous citation indicates, the Louisiana Supreme Court refused to hear the case.

In 1987, the Louisiana Horsemen's Benevolent and Protective Association, Inc. ("LHBPA, Inc.") was formed. All of the assets and business functions of HBPA were transferred to LHBPA, Inc. which took over the administration of the medical benefits program. It is our understanding that LHBPA, Inc. also received the funding for the program and paid the beneficiaries directly.

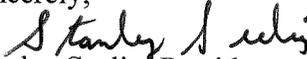
In 1993, the operations of LHBPA, Inc. were completely restructured. Because of federal tax restrictions on the ability of certain types of non-profit corporations to make distributions to members and other individuals, a separate Medical Trust was formed to receive the funding for the medical benefit program and to disburse the medical benefits to beneficiaries. LHBPA, Inc.'s other business functions, including the administration of the medical benefit program, were transferred to LHBPA 93. Thereafter, LHBPA 93 provided administrative and other services to the beneficiaries of the Trust and charged the Trust for the cost of these services.

As your office found in its 2011 report on an audit of the Medical Trust, the former board and management of LHBPA 93 had not properly developed a basis for the costs that were charged to the Medical Trust. In line with your earlier report, the amounts previously charged to the Medical Trust and that were deemed in excess of the value of the services provided to the Medical Trust were set up as a "due from LHBPA 93" and "due to the Medical Trust". A proper basis was established for setting future costs and a written service agreement between the Medical Trust and LHBPA 93 was signed. As a result of these retroactive adjustments, the balance owed to the Medical Trust as of February 18, 2011 was \$1,085,718. That amount was completely repaid to the Medical Trust by December 31, 2012.

In view of the foregoing facts, we believe that title is properly vested in LHBPA 93. Given the fact that LHBPA 93 has possessed the property under color of title for close to 20 years, an additional argument can be made that LHBPA 93 has acquired title by acquisitive prescription.

I thank you for the opportunity to respond to your audit.

Sincerely,


Stanley Seelig, President

SS:hmm
Enclosures

Louisiana Horsemen's Benevolent and Protective Association 1993, inc.

Administrative Invoice Processing

For recurring invoices such as the electricity invoice:

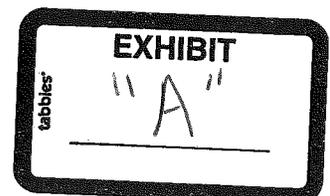
1. Accounts Payable clerk will prepare payment within accounting system.
2. Invoice and check is forwarded to Secretary/Treasurer for review.
3. Secretary/Treasurer will review payment with Executive Director.
4. Secretary/Treasurer will e-mail the check register to account signatories for permission to stamp checks with signatures.
5. Once stamped, Accounts Payable clerk remits payment.

For recurring communications/computer services invoices:

1. I.T. Employee will review invoice and approve.
2. Accounts Payable clerk will prepare payment within accounting system.
3. Invoice and check is forwarded to Secretary/Treasurer for review.
4. Secretary/Treasurer will review payment with Executive Director.
5. Secretary/Treasurer will e-mail the check register to account signatories for permission to stamp checks with signatures.
6. Once stamped, Accounts Payable clerk remits payment.

For other administrative invoices:

1. Senior Accountant will review invoice and prepare check request.
2. Secretary/Treasurer will review and approve check request.
3. Accounts Payable clerk will prepare payment within accounting system.
4. Invoice and check is forwarded to Secretary/Treasurer for review.
5. Secretary/Treasurer will review payment with Executive Director.
6. Secretary/Treasurer will e-mail the check register to account signatories for permission to stamp checks with signatures.
7. Once stamped, Accounts Payable clerk remits payment.



**LOUISIANA HORSEMEN'S
BENEVOLENT & PROTECTIVE ASSOCIATION 1993, INC.**

**TRAVEL, CREDIT CARD and EXPENSE REIMBURSEMENT
POLICY and PROCEDURES**

(Applicable to all Officers, Directors and Employees)

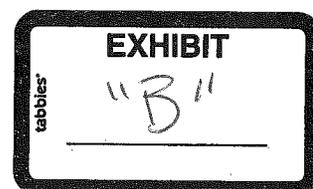
1.0 STATEMENT OF PURPOSE AND RESPONSIBILITIES: This Travel, Credit Card and Expense Reimbursement Policy and Procedures (the "Business Expense Policy") establishes policies governing the reimbursement of travel, entertainment and other business expenses (collectively, "Business Expenses") incurred during the conduct of business on behalf of the Louisiana Horsemen's Benevolent & Protective Association 1993, Inc. ("1993, Inc.") and all of its affiliated entities¹ (collectively referred to herein as the "LHBPA" and each individually as an "LHBPA Entity"), as well as the issuance and use of credit cards for approved LHBPA expenditures. It is the policy of the LHBPA to reimburse officers, directors and employees for ordinary, necessary and reasonable expenses when **directly** related to the transaction of LHBPA business or otherwise in furtherance of the exempt purposes of the LHBPA. Because 1993, Inc. is a 501(c)(3) non-profit corporation, it is in the best interests of the LHBPA and the members of 1993, Inc. to have an "accountable plan" in place to govern the approval and reimbursement of LHBPA employee expenses.

For purposes of this document, **directly** related means:

- a. There is a reasonable expectation that an LHBPA Entity will derive some current or future benefit as a result of such expenditure;
- b. The officer, director or employee is actively engaged in a business meeting or activity necessary to the performance of such person's responsibilities or job duties; or
- c. There is a clear LHBPA business purpose for entertainment.

1.1 It is the express intent of the LHBPA that this Business Expense Policy provide a clear set of rules and guidelines for its officers, directors and employees to follow in prudently managing and accounting for their expenditures while engaged in business and entertainment on behalf the LHBPA and in furtherance of the tax exempt or business purposes of an LHBPA Entity. IRS regulations require that the LHBPA have an "accountable plan" for purposes of reimbursing officers, directors or employees for expenses incurred on behalf of an LHBPA Entity. An accountable plan is a policy that meets all of the following three requirements:

¹ Such affiliated entities include Horsemen's Alliance Holdings, Inc., a Louisiana corporation; Horsemen's Insurance Alliance, Segregated Portfolio Company, a Cayman Island corporation; Louisiana Horsemen's Medical Benefit Trust, a trust organized under the laws of the State of Louisiana; and the Horsemen's Self-Help Pension Plan and Trust, a trust organized under the laws of the State of Louisiana.



- a. **Business Connection:** Amounts expended by the officer, director or employee must have a business purpose and be spent in connection with his or her position at an LHBPA Entity. It is expected that all officers, directors and employees will exercise appropriate care in incurring such expenses. It is the responsibility of each individual incurring such expenses as well as the persons approving such expenses to comply with the Business Expense Policy as set forth herein. A business connection assumes that one or more officers, directors or employees are present and that the focus of the meeting is in furtherance of the tax exempt or business purposes of an LHBPA Entity. In circumstances where the purpose of the expenditure is unclear or in the case of meals and entertainment expenses, if persons and their business relationships to an LHBPA Entity are not properly documented, the reimbursement will be delayed until proper substantiation is forwarded to the Secretary-Treasurer of 1993, Inc.

- b. **Substantiation:** The expenditure must be substantiated by appropriate written documentation. An original receipt or invoice indicating that payment was made is required for all expenses, regardless of amount. If the receipt or invoice does not indicate the amount paid, a cancelled check, original credit card receipt, or other proof of payment is required. Exceptions: Receipts are not required for mileage reimbursement, tips, metered parking or coin telephone expense. Failure to comply with this requirement may result in such reimbursements being included as taxable income on a W-2 or 1099 form at year end with possible deductions for payroll taxes and tax withholding.

- c. **Timely Submission of Request for Reimbursement:** Any request by an employee for reimbursement must be submitted within ten (10) days after the end of the month in which the expense was incurred. Any request by an officer or director for reimbursement must be submitted within fifteen (15) days after the end of the month in which the expense was incurred. If a cash advance for travel expenses was received, any funds in excess of substantiated, approved expenses must be returned to the LHBPA by the deadline for submitting the request for reimbursement. Any request for reimbursement which is submitted after the deadline for submitting the request for reimbursement may be denied or may result in a delay in issuance of the reimbursement check, depending upon the circumstances. The President of 1993, Inc. will determine if a late request is reimbursable.

1.2 Officers, directors and employees are to exercise prudent business judgment regarding the approval, incurrence and requests for reimbursement of expenses covered by this Business Expense Policy.

1.3 Reimbursement for expenses which are not in compliance with this Business Expense Policy must have the prior written approval of the Secretary-Treasurer and President of 1993, Inc.

1.4 Officers, directors and employees are personally responsible for complying with this Business Expense Policy. Officers, directors and employees who submit

requests for reimbursement of expenses which are not in compliance with this Business Expense Policy risk delayed, partial or forfeited reimbursement.

2.0 DOCUMENTATION

2.1 All requests for reimbursement of Business Expenses and requests for payment of credit card bills shall be submitted on the LHBPA Expense Report form.

2.2 While original receipts are recommended for all expenses submitted for reimbursement, original receipts are required for all expenses greater than \$25.00. Requests for exceptions to this requirement must be in writing and should document extenuating circumstances as to why an original receipt is unavailable. Requests for exception to this requirement must be approved by the Secretary-Treasurer and President of 1993, Inc.

2.3 Each LHBPA Entity complies with all IRS regulations, which require that all business expenses be substantiated with adequate records. This substantiation must include information relating to:

- a. The amount of the expenditure;
- b. The time and place of the expenditure;
- c. The business purpose of the expenditure; and
- d. The names and the business relationships of individuals for whom the expenditures were made other than the officer, director or employee who is submitting the request for reimbursement.

2.4 Requests for reimbursement omitting this information will not be processed and will be returned to the officer, director or employee who submitted the request for additional documentation and support.

3.0 APPROVALS

3.1 Requests for reimbursement, on the appropriate forms and with required supporting documentation, submitted by employees must first be submitted to the employee's immediate supervisor for review and signature approval as to the business purpose and reasonableness of each charge as per the guidelines in this Business Expense Policy, following which such requests shall be submitted to Secretary-Treasurer of 1993, Inc. for review and approval. Requests for reimbursement, on the appropriate forms and with required supporting documentation, submitted by officers and directors shall be submitted directly to the Secretary-Treasurer of 1993, Inc. for review and approval. After a request for reimbursement has been approved by the Secretary-Treasurer of 1993, Inc., it shall be submitted to the President of 1993, Inc. for final review and approval; provided, however, that in the case of a request for reimbursement made the Secretary-Treasurer, it shall require the approval of the President and the Executive Director of 1993, Inc.; and provided further, that in the case of a request for reimbursement made by the President of 1993, Inc., it shall require the approval of the Secretary-Treasurer and Executive Director of 1993, Inc. All requests for reimbursement shall additionally be checked by the LHBPA's accounting department for mathematical accuracy and appropriate account numbers.

3.2 Persons who are charged with the responsibility of approving requests for reimbursement of expenses are responsible to ensure that:

- a. The expenses for which reimbursement is sought are proper and reimbursable under this Business Expense Policy;
- b. The expense report has been filled out accurately and has the required documentation; and
 - c. The expenses are reasonable and necessary and that reimbursement of such expenses is allowed under this Business Expense Policy.

4.0 REIMBURSABLE EXPENSES

4.1 It is anticipated that officers, directors and certain employees may be required to travel to various meetings, conferences, and/or events both within the State of Louisiana and outside of the State of Louisiana, as well as in some cases out of the United States. The LHPBA desires to maintain a policy that considers these travel requirements and prudently manages the approval and reimbursement of reasonable expenses related thereto.

The following are examples of expenses which are reimbursable if such expenses otherwise satisfy the requirements set forth in Section 1.0 of this Business Expense Policy:

- a. Hotel and motel room charges and related taxes and tips;
- b. Travel expenses including airfare, train fare, bus, taxi and related taxes and tips;
- c. Meals, including taxes and tips of between 15-20% of the total bill (inclusive of taxes), but subject to the dining limitations set forth elsewhere in this Business Expense Policy;
- d. Business telephone calls;

- e. Laundry and/or dry cleaning expenses incurred during business trips in excess of five (5) days;
- f. Car rental, but subject to the limitations set forth elsewhere in this Business Expense Policy;
- g. Mileage on personal vehicle at the applicable IRS rate in effect on the date of travel;
- h. Gasoline, oil and maintenance charges for vehicles owned, leased or rented to the LHBPA;
- i. Tolls and parking fees incurred on business trips;
- j. Registration fees for attendance at seminars, conferences and/or conventions if approved in advance;
- k. Business entertainment expenses if otherwise allowed under this Business Expense Policy; and
- l. Other reasonable and necessary business expenses, not specifically excluded by Section 4.2 below.

4.2 The following are examples of expenses which are not reimbursable under this Business Expense Policy:

- a. Travel expenses for a spouse, partner, child or friend who accompanies an officer, director or employee on a business related trip;
- b. Baby-sitter costs;
- c. Airline club dues;
- d. Barber and/or hairstylist charges;
- e. Traffic and/or parking fines;
- f. Tips in excess of 20% and tips which are in addition to a gratuity applied by the vendor;
- g. In-flight movies and refreshments;
- h. Hotel room movies and other forms of personal entertainment;
- i. Costs of luggage and briefcases used on business trips;
- j. Charges for alcohol, unless otherwise permitted under this Business Expense Policy;
- k. Meals which include only LHBPA employees, unless traveling overnight on LHBPA business;
- l. Reimbursement for mileage to the extent that such mileage reimbursement exceeds the cost of airfare and related ground transportation to the same destination;
- m. First class airfare to the extent that such charges exceed the cost of comparable coach class fares for the same travel itinerary;
- n. Sales taxes to the extent that the LHBPA is exempt from same (see Section 6.0 of this Business Expense Policy);

4.3 No policy can anticipate every situation that might give rise to legitimate business expenses which are not listed in Section 4.1 of this Business Expense Policy. Each officer, director, employee and employee supervisor must use his/her best judgment in determining if an unlisted expense is reimbursable under section 1.0 of this Business Expense Policy. If there is any doubt as to whether such an expense is reimbursable, such person is directed to contact the Secretary-Treasurer of 1993, Inc. who, in turn, is directed to consult with the General Counsel of 1993, Inc. concerning the propriety of reimbursing such expenses.

4.4 Use of Personal vehicle: It is anticipated that, unless a person has been assigned use of a vehicle owned by or leased or rented to an LHBPA Entity, officers, directors and employees will use their personal vehicles during travel to and from meetings, conferences and events that constitute the conduct of LHPBA business. The LHBPA will reimburse individuals for mileage when their personal vehicle is used on official LHBPA business that is properly authorized, reasonable and appropriately documented. In the case of employees and officers who are employed full-time by an LHBPA Entity, this does not include mileage for travel between the individual's residence and the LHBPA office to which the employee is regularly assigned (the "daily commute"). Mileage incurred in the daily commute is not reimbursable. In the event that a private vehicle is used in lieu of commercial transportation (*i.e.*, air, bus, rail), the lesser of the costs between a coach/economy class ticket combined with other related ground transportation and the mileage will be reimbursed. An individual's personal automobile liability insurance shall be the primary coverage when an individual is using his or her personal vehicle on LHBPA business. If such an individual's insurance policy limits are exhausted as a result of an accident which occurs while the individual is on LHBPA business, the LHBPA's automobile insurance policy may provide a second layer of coverage in accordance with the terms and conditions of the LHBPA's insurance policy.

Officers, directors and employees who utilize personal cars for business travel will be reimbursed at the applicable per mile rate established from time to time by the IRS. Mileage submitted for reimbursement should be net of any mileage incurred in the daily commute. The Secretary-Treasurer will inform officers, directors and employees of the applicable reimbursement rate as established by the IRS from time to time. Expenses related to ownership, insurance, maintenance and gasoline consumed by personal vehicles are the sole responsibility of the officer, director or employee using the vehicle. The LHBPA does not reimburse vehicle operating, maintenance and repair costs for personal vehicles.

4.4 DINING.

The LHBPA expects that its officers, directors and employees will eat meals which are reasonable, but not extravagant, in cost while traveling on LHBPA business.

a. **Meals and Entertainment – Personal Meals:** A personal meal is a meal expense incurred by an officer, director or employee while dining alone while on overnight travel status or by an individual who has paid the bill for other officers, directors and employees who are traveling overnight on out-of-town business for the LHBPA. Reasonable per diem expenses incurred for breakfast, lunch, and dinner, including tips, will be reimbursed when traveling overnight on LHBPA business, not to exceed the federal per diem high-low rates, as set forth in IRS Publication 1542. If the travel requirements are such that an individual who is traveling on LHBPA business is not required to travel overnight but will not arrive at his or her home or other destination until 7 p.m. or later local time, a reasonable per diem expense incurred for dinner, including taxes and tip, will be reimbursed, but not to exceed the federal per diem high-low rates, as set forth in IRS Publication 1542. In order to obtain reimbursement, the original receipt from the use of a credit card or a cash register receipt must accompany these expenses. Tear-off stubs from meal tickets are not

acceptable. Reasonable meal rates may vary from city to city but the general guidelines (including taxes and tip), when not following per diem reimbursement, are:

Breakfast	\$15.00
Lunch	\$20.00
Dinner	\$40.00

The LHBPA will not reimburse for any alcoholic beverages purchased with a meal when not directly entertaining someone for an approved business purpose, or for an event that is intended, and explicitly justified in the request for reimbursement, as a social event (personal discretion must be used to limit costs);

The LHBPA will not reimburse for any alcoholic beverages purchased for minors.

- b. **Meals and Entertainment – Business Meals and Entertainment Expenses:** A business meal is a meal taken with non-LHBPA individual(s) for which a specific LHBPA business discussion has taken place just prior to, during, or directly following a business meal. In addition to satisfying other substantiation requirements, substantiating documentation for a business meal must show that a business discussion was held just prior to, during, or directly following a business meal. The receipt must note those in attendance and their business affiliation. For these and other expenses covered by this Business Expense Policy, it is important to remember that such expenses may become public knowledge and a matter of public interest and scrutiny. Therefore, reasonableness and an avoidance of excess should be practiced. Per diem expense limits are expected to be adhered to by officers, directors and employees when traveling on LHBPA business. Such persons are also expected to obtain pre-approval of expenses when otherwise required by this Business Expense Policy.

5.0 CREDIT CARDS

5.1 Credit cards issued in the name of an LHBPA Entity, including but not limited to VISA, MasterCard, American Express, gasoline and telephone cards, may be provided to those employees whose jobs require a sufficient amount of travel and/or entertainment, but only upon the prior approval of the Board of Directors of 1993, Inc. Any person in need of a credit card issued in the name of an LHBPA Entity must submit a properly completed Request for Credit Card form to the Secretary-Treasurer of 1993, Inc. and must sign the Employee Statement of Responsibility portion of such form. Credit cards represent an extension of credit to the LHBPA Entity in whose name the card is issued and, accordingly, may only be issued with the approval of the Board of Directors of 1993, Inc. Cards issued in the name of an LHBPA Entity are a privilege for convenience and may never be used for personal employee expenses, even if the person intends to reimburse the LHBPA Entity for such personal use. The individual to whom a credit card is issued is personally responsible for all charges made on the card that are not reimbursed under this Business Expense Policy.

5.2 Officers, directors and employees are expected to process credit card bills and present them to Accounts Payable as soon as they are received for payment and in any event not later than eight (8) business days before the payment due date so as to avoid late fees and interest charges. Late fees and/or interest charges resulting from late submission to Accounts Payable will be the financial responsibility of and shall be paid by the officer, director or employee to whom the card is assigned.

6.0 SALES TAX

6.1 As a non-profit organization, 1993, Inc. and certain of its affiliated entities may be exempt from certain sales taxes. It is the responsibility of the officer, director or employee to be familiar with this exemption. It is the responsibility of each officer, director or employee to indicate to the vendor that the appropriate LHBPA Entity is a tax-exempt organization and to obtain any exemption certificates necessary to evidence same for significant LHBPA purchases, as applicable.

6.2 Sales tax, to the extent an LHBPA Entity may be exempt, is not reimbursable under this Business Expense Policy, and if paid by the officer, director or employee, remains the obligation of that officer, director or employee.

7.0 OTHER PROCEDURES

7.1 **Cash advances:** The LHBPA recognizes that some incidental expenses, such as tolls, tips and taxis, cannot be paid by credit card. In the rare and limited instances where a cash advance for expenses is necessary, a request for such cash advance (limited to a maximum of \$500) must be submitted to the Secretary-Treasurer on a completed LHBPA Cash Advance Request form. The completed LHBPA Cash Advance Request form must be approved in a manner consistent with Section 3.0 of this Business Expense Policy. Generally, no subsequent cash advance will be funded until all prior cash advances have been properly accounted for and any monies shown by such accountings to be due back to an LHBPA Entity have been repaid.

7.2 **Parking tickets and moving violations:** The owner/driver of any personal vehicle is responsible for all parking fines and moving violation tickets incurred by such vehicle. In the case of any vehicle owned by, or leased or rented to an LHBPA entity, the driver of the vehicle is responsible for all parking fines and moving violation tickets incurred by such vehicle. The LHBPA, if billed, will pass the bill onto the driver to be paid. If the identity of driver cannot be determined, the person to whom the vehicle has been rented or signed out will be held responsible.

7.3 **Instructions for making travel arrangements:** Air and travel arrangements should be pre-approved through the Secretary-Treasurer of 1993, Inc. by submitting a signed and completed LHBPA Travel Expense Request form which sets forth the specific arrangements and expected cost to the Secretary-Treasurer of 1993, Inc. for approval. It is very important that the request be forwarded as soon as possible to avoid delayed or missed travel confirmation. In the case of group travel, the Secretary-Treasurer or other person designated by the President of 1993, Inc. may make the travel arrangements for the group as a whole.

In the case of individual travel or group travel where the Secretary-Treasurer or other person designated by the President is not making travel arrangements for the group as a whole, each person is responsible for making his or her own travel arrangements and that such travel arrangements comply with this Business Expense Policy.

7.4 AIR TRAVEL:

- a. All officers, directors and employees are expected to travel coach class. Personal frequent flyer credits may be used to upgrade travel class. However, no reimbursement will be made and no contribution will be recorded on behalf of the employee for the business use of frequent flyer credits. A person may also upgrade travel class by paying the difference between the upgraded travel class and coach class as a personal, non-reimbursable expense. Every reasonable effort should be made to seek the lowest fare available for an itinerary that permits prompt attendance to the event for which the travel is necessitated. Itineraries will not be accepted as proof of purchase or travel. Boarding passes, if available, should be attached to invoices.
- b. **Unused tickets/cancellations:** Unless travel arrangements have been made for the group as a whole, each person is responsible for timely cancelling any unused tickets or reservations and for securing any refunds or credits which may be due.
- c. **Delays/Layovers:** If you are unable to make a connecting flight because the first flight has been delayed for any number of reasons including mechanical failure, weather, etc., the burden of responsibility in this case rests on the carrier whose flight has been delayed. Most carriers will book you on to your final destination on the next available flight even if it is not their airline. However, this is not a written regulation. If a mealtime and/or overnight is involved, they will provide vouchers for dinner and hotel room as compensation. This action is not a written regulation. You should seek to obtain as many services as possible through the carrier and are urged to inquire about these services should an event such as this occur. The LHBPA will cover those expenses not covered by the airline, if ordinary, necessary and reasonable.

7.5 LODGING:

- a. It is highly recommended that all lodging be booked in advance. Prudent judgment should be used when selecting a hotel. A single room with a private bath in a moderately-priced business-class hotel or motel is the LHBPA standard. Reimbursement for suites or luxury accommodations requires the written permission from the Secretary-Treasurer and President of 1993, Inc. prior to booking the lodging.
- b. If two persons, one of whom is not on LHBPA business (such as a spouse, partner or friend), occupy a room, reimbursement will be limited to the

single-occupancy rate. Always ask for corporate, conference, or non-profit discounts when available.

- c. You are encourage to book all rooms as guaranteed for late arrival. Usually, the deadline for such cancellation is 6:00 p.m. on the scheduled day of arrival, but it is 4:00 p.m. at some locations. It is the responsibility of the person in whose name the room is booked to ascertain the deadline by which a room which has been booked with a guarantee for late arrival may be cancelled. A person cancelling a room which has been booked with a guarantee for late arrival is advised to request and retain a "cancellation number" as documentation of the transaction. No show charges will be the responsibility of the person in whose name the room was booked, unless the no show was unforeseeable and there was no opportunity to cancel the reservation in time to avoid the no show charge. The original copy of the hotel statement will be used as documentation for reimbursement.
- d. When traveling on LHBPA business, expenses incurred for telephone, fax, and teleconferencing for business communications are reimbursable. Good judgment should be used when deciding to use cellular phones where roaming or other significant fees may be incurred. Personal calls are not reimbursable.

7.6 CAR RENTALS:

Officers, directors and employees while traveling on LHBPA may rent a car:

- a. When driving is more convenient than airline or rail travel;
- b. When driving is necessary in order to transport large or bulky materials;
- c. When, due to multiple locations to visit in the destination city, driving is more economical than using public transportation modes;
- d. When other surface transportation is not practical.

Insurance: Any LHBPA insurance coverage is applicable only while the individual is on LHBPA business. Non-related pleasure trips are covered under the individual's personal insurance policy.

Reimbursement: The car rental agreement must be used for documentation for reimbursement or for back up to the credit card purchase.

Ground Transportation, Parking Fees, Toll Charges: Preferred choices for ground transportation are shuttle services, public limousine services, or other forms of public transportation. Public limousine or shuttle service from an individual's home to the airport should be used only when the round trip cost of such service is less than the combined parking cost and mileage reimbursement. Taxis are to be used only when public transportation is more costly, unavailable, or unsuitable. Individuals are asked to park in airport satellite or long term

parking lots whenever possible. Tolls and reasonable parking costs are reimbursable with a receipt.

When utilizing a rental car, it is expected that reservations will be made for a mid-size vehicle, depending on the type of travel. Occasionally a full-size vehicle may be appropriate when more than one person (whose expenses are reimbursable by the LHBPA) will be using the vehicle and in a small number of other circumstances. The cost of premium, luxury or four-wheel vehicles will be charged to the individual renting the vehicle and reimbursement will be made at the mid-sized or full-sized rates as appropriate.

It is recommended that additional insurance coverage be purchased when traveling internationally. Employees are expected to refuel rental cars prior to returning them to the rental agency in order to avoid excessive charges for gasoline. Do not use the prepaid gas option.

7.7 Other transportation: When booking travel arrangements for a group, an officer, director or employee may take advantage of services provided by a licensed travel agent, provided that the costs do not exceed what is reasonable and customary in the industry. Even if you are not sure of your group's final size, you may realize considerable savings on behalf of the LHBPA.

7.8 Method of reimbursement: All reimbursements to officers, directors and employees will be made by check issued by the LHBPA Entity to which the costs are chargeable upon presentation of a properly completed and approved LHBPA Expense Report form.

8.0 POLICY EXCEPTIONS

Generally, any exception to this Business Expense Policy must have the prior written approval of the Secretary-Treasurer and President of 1993, Inc. Requests for exceptions should be in writing and document extenuating circumstances or proposed overall savings to the LHBPA. At certain times, under unusual circumstances, exception may be made after the fact. However, payment by the LHBPA will not be made without the approval of the Secretary-Treasurer and President.

ACKNOWLEDGMENT AND AGREEMENT TO BUSINESS EXPENSE POLICY

The undersigned officer, director or employee hereby acknowledges and agrees that:

1. He or she has received, read and understands this Business Expense Policy;
2. He or she has had an opportunity to discuss the terms and conditions hereof with a LHBPA representative;

3. He or she expressly agrees to be bound by the terms and conditions of this Business Expense Policy; and
4. In the case of an employee, a violation by such employee of this Business Expense Policy may be grounds for disciplinary action against such employee, including loss of job privileges, demotion, suspension without pay, or outright termination of employment.

Signature: _____

Printed Name: _____

Title or Position: _____

Date: _____, 20____

LHBPA Credit Card Policy Statement

1. **Purpose.** The purpose of this Credit Card Policy Statement (the "Credit Card Policy") is to set forth the position of the Louisiana Horsemen's Benevolent & Protective Association 1993, Inc. ("1993, Inc.") and all of its affiliated entities¹ (collectively referred to herein as the "LHBPA" and each individually as an "LHBPA Entity") regarding the appropriate and responsible use of credit cards issued in the name of an LHBPA Entity to selected officers, directors and/or employees. A person to whom such a card is issued is referred to herein as a Cardholder.

Credit cards are issued at the discretion of the Board of Directors of 1993, Inc. to selected persons as a limited-purpose delegation of purchasing authority on behalf of an LHBPA Entity for the purposes set forth in this Credit Card Policy and that certain Travel, Credit Card and Expense Reimbursement Policy (the "Business Expense Policy"). As an express condition predicate of receiving a credit card issued in the name of an LHBPA Entity, the Cardholder agrees to comply with the Business Expense Policy and this Credit Card Policy. When signed by the Cardholder and accepted by an LHBPA Entity, the LHBPA Credit Card Request and Acceptance Statement acts as a personal guarantee by the Cardholder to pay all charges which do not qualify as Business Expenses as defined in the Business Expense Policy or which are not authorized under this Credit Card Policy. Annually, the LHBPA may require each Cardholder to reread and resign this Credit Card Policy and one or more acknowledgments or guarantees regarding unauthorized charges.

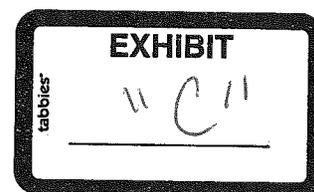
It is the express intent of this Credit Card Policy that, unless expressly authorized by the Board of Directors of 1993, Inc., the only entity in which name a credit card may be issued is 1993, Inc. and that credit cards should only be issued to those persons whose position requires the frequent expenditure of monies on authorized Business Expenses. It should be a condition of credit card issuance that the failure to issue a credit card to a particular Cardholder would hamper the efficient conduct of the LHBPA's business and/or impose additional expense on the conduct of its business.

2. References.

- 2.1 The Business Expense Policy is expressly incorporated herein, the same as if it were copied herein in full.

3. Policy.

¹ Such affiliated entities include Horsemen's Alliance Holdings, Inc., a Louisiana corporation; Horsemen's Insurance Alliance, Segregated Portfolio Company, a Cayman Island corporation; Louisiana Horsemen's Medical Benefit Trust, a trust organized under the laws of the State of Louisiana; and the Horsemen's Self-Help Pension Plan and Trust, a trust organized under the laws of the State of Louisiana.



- 3.1. 1993, Inc. and any other LHBPA Entity expressly authorized by the Board of Directors of 1993, Inc. may issue credit cards to the President and Executive Director of 1993, Inc. and other persons expressly approved by the Board of Directors of 1993, Inc. The Secretary-Treasurer of 1993, Inc. shall maintain and keep current a current list of all Cardholders and the card assigned to each Cardholder. The President of 1993, Inc. shall periodically review the list of Cardholders to determine whether a Cardholder should continue to carry a card. Accounting for credit cards and settlement of credit card billings shall be made a part of all employee separation checklists for the LHBPA.
- 3.2. A Cardholder should use a credit card issued under this Credit Card Policy only for payment of Business Expenses authorized under the Business Expense Policy and this Credit Card Policy. Such credit card usage will reduce the need for cash advances and make payment of Business Expenses more convenient for the Cardholder.
- 3.3. Except as described in Section 3.6 below, a Cardholder should not use a credit card issued under this Credit Card Policy for the payment of any personal expenses or expenses not otherwise authorized under the Business Expense Policy or this Credit Card Policy. The LHBPA may withdraw the credit card and take appropriate legal action against any Cardholder who misuses any credit card. Any employee who violates this Credit Card Policy is subject to appropriate disciplinary action, including but not limited to receiving a written warning or reprimand, revocation of credit card privileges, suspension without pay, termination and/or criminal prosecution.

Credit card violations include but are not limited to:

- a. Purchase of items for personal use;
 - b. Purchase of items in violation of the Business Expense Policy;
 - c. Use of the credit card for cash advances;
 - d. Charging amounts in excess of the allowed credit line;
 - e. Splitting of a single transaction into multiple transactions in order to circumvent any internal dollar limit on individual transactions;
 - f. Failure to return the credit card upon demand;
 - g. Failure of an employee to return the credit card when the employee resigns, is reassigned, or is terminated;
 - h. Failure to turn in receipts or other back up documentation to the Secretary-Treasurer of 1993, Inc. at least eight (8) business days before the payment due date of the credit card.
- 3.4. Cardholders are generally encouraged to pay for purchases which are not covered under the Business Expense Policy through regular accounts payable procedures rather than with a credit card. However, if payment for these types of items is made with a credit card, all documentation required in regular payable procedures

and purchasing procedures will be required to be attached to the credit card receipt.

- 3.5. When a credit card is used to pay for a Business Expenses as defined in the Business Expense Policy, the required substantiation must be provided.
- 3.6. Personal use of of a credit card issued under this Credit Card Policy is prohibited except in unusual circumstances. Under no circumstances will personal charges be submitted or approved for reimbursement. In those rare cases where intermingling of personal and business charges on the credit card is unavoidable, e.g., where meals exceeding per diem limitations are charged to hotel bills or lodging charges, the circumstances must be noted on the individual's LHBPA Expense Report and will be reviewed in the course of normal approval and processing. It is acknowledged that in such circumstances a Cardholder may charge on the credit card the expenses of another person whose expenses are not reimbursable under the Business Expense Policy where separation of the payment is difficult. However, all charges on the card for non-reimbursable expenses must be reimbursed by the Cardholder upon submission of the LHBPA Expense Report or eight (8) business days in advance of the credit card payment date, which ever is sooner. For example, where another person stays in a double room with a Cardholder, the hotel typically does not bill separately for the two occupants. The Cardholder may use his card to pay the total bill. However, any amounts which are not allowed as a Business Expense under the Business Expense Policy must be reimbursed by the Cardholder. Reimbursement of any such personal expenses must be made upon submission of the LHBPA Expense Report or eight (8) business days in advance of the credit card payment date, which ever is sooner.
- 3.7. Cardholders are encouraged to use cash advances only for anticipated incidental travel expenses (taxi, tips, etc.) and, where possible, to charge all allowable Business Expenses on the credit card.
- 3.8. Generally, a Cardholder should obtain receipts for all expenses charged to the credit card and attach them to the credit card statement at the time the expenses are submitted for approval. It is the Cardholder's responsibility to obtain transaction receipts from the merchant or vendor each time the credit card is used. Individual transaction receipts are to be attached to periodic statements and submitted to the Secretary-Treasurer in accordance with the Business Expense Policy. The Secretary-Treasurer is responsible for review and approval of items charged on credit cards. The LHBPA must keep statement data and proof of reconciliation, including receipts and invoices, on file for a period consistent with the record retention requirements applicable to the LHPBA, so the timely and orderly submission of credit card purchase information is an essential obligation of the Cardholder.
- 3.9. A credit card is valuable property which requires proper treatment and safekeeping by the Cardholder in order to protect it from misuse by unauthorized

persons. The Cardholder should sign the credit card immediately upon receipt. The credit card should always be treated with the same care as personal credit cards, bank cards, cash and checks and should be kept in an accessible, but secure location. The Cardholder should ensure that the credit card is returned after each charge and verify that the returned credit card is the credit card that was issued to the Cardholder. When using the credit card for internet purchases, the Cardholder should ensure that the site utilizes industry-recognized encryption transmission tools. It is the Cardholder's responsibility to promptly follow-up on any erroneous charges, returns or adjustments to ensure that proper credit is given on subsequent statements. Such items which are not promptly reconciled and noticed may become the personal responsibility of the Cardholder.

- 3.10.** A Cardholder should immediately report any lost or stolen card to the Secretary-Treasurer. Immediately after receiving notification of a lost or stolen card, the Secretary-Treasurer shall notify the credit card company. When the credit card expiration date has passed or a Cardholder has been issued a new credit card, the Cardholder is responsible for cutting the old credit card in half and disposing of it.
- 3.11.** Upon termination of his or her position with the LHBPA, the Cardholder must return any credit cards to the Secretary-Treasurer. The Secretary-Treasurer should should destroy the card and send a letter to the credit card issued requesting that the credit card be canceled. The credit card shall at all times remain property of 1993, Inc. or such other LHBPA Entity in whose name the card may have been issued. The credit card may not be transferred to, assigned to, or used by anyone other than the designated Cardholder. The Cardholder is accountable for all activity on the credit card. The President or Board of Directors of 1993, Inc. may suspend or cancel a Cardholder's privileges at any time for any reason. A Cardholder shall surrender the credit card upon request of the President or the Board of Directors of 1993, Inc.
- 3.12.** A monthly bill will be received from each credit card issuer for all charges to the respective credit cards during the billing cycle. Each statement will be circulated to those Cardholders whose charges appear on the statement for approval of the expenses so charged and submission by the Cardholder of the required substantiating documentation. All credit card charges will be reviewed for approval monthly by the Secretary-Treasurer, President and/or Executive Director in the same manner as other Business Expenses are approved under the Business Expense Policy. The total amount due to the credit card issuer should be paid each month on a timely basis.

* * * * *

**LHBPA
CREDIT CARD REQUEST AND
ACCEPTANCE STATEMENT**

Please print or type. Complete all areas and return with required signatures to:
Secretary-Treasurer, 1535 Gentilly Blvd. New Orleans, LA 70119, Phone: (504) 945-1555, Fax:
(504) 872-9738
Email: efenasci@lahbpa.org

Type of Card Requested:

- G Procurement Only
- G Travel Only
- G Procurement and Travel

Name on Card: (Use Legal Name and do not exceed 26 total characters)

First: _____ Middle Initial: _____ Last: _____
SSN: _____

Personal Address:

Address: _____
City: _____ State: _____ Zip Code: _____
Phone No: _____ Fax No. _____ Email Address: _____

ACKNOWLEDGMENT OF GUARANTY AND RESPONSIBILITY

I, the undersigned Cardholder, hereby acknowledge that I have received a copy of and read the LHBPA's Business Expense Policy referenced in the LHBPA's Credit Card Policy. I hereby agree to be bound by the Business Expense Policy and the Credit Card Policy in all respects and further agree that I will use the credit issued to me only in accordance with the Business Expense Policy and the Credit Card Policy. I specifically confirm my understanding that, except in those rare and limited circumstances identified in the Credit Card Policy, I may not use the credit card for any personal purchases. I further confirm my understanding that this credit card is the property of the LHBPA and may be revoked at any time. I further acknowledge and agree that I am personally responsible for the prompt reconciliation of all monthly credit card statements and that I am personally responsible for the payment of all charges on the credit card that are of a personal nature or that are not allowed under the Business Expense Policy and/or the Credit Card Policy.

Signed: _____ Date: _____
(Cardholder)

**LHBPA
CREDIT CARD ISSUANCE APPROVAL**

I hereby authorize the person named above to receive a credit card issued in the name of 1993, Inc. or such other LHBPA Entity as the Board of Directors of 1993, Inc. may have approved.

Signed: _____ Printed: _____ Date: _____
Title: _____ Phone: _____

For Office Use Only: President or Secretary-Treasurer Approval: _____
User Created Online G Card Requested G Card Received G
Last 6 Digits of Card Number: _____ Card Distributed G
Card Returned Date: _____

AGREEMENT FOR APPROVAL OF PAYROLL CHECKS

I, the undersigned trainer, owner-trainer or owner, hereby request that the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (the "LHBPA") approve payroll checks drawn on the account listed below (the "Payroll Account"). I acknowledge and agree that my request and any payroll check approvals given by the LHBPA are expressly made subject to the following:

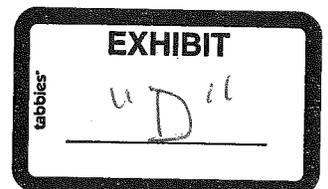
1. My participation in this payroll check approval process is a privilege and not a right.
2. The LHBPA may change the terms and conditions of the check approval process at any time and from time to time.
3. The LHBPA may terminate the check approval process at any time if it so decides.
4. I agree that I will only issue payroll checks for which sufficient, collected funds are on deposit in the Payroll Account. I understand and agree to pay an "NSF" charge to the LHBPA of \$25.00 for each check which is returned by the bank for insufficient funds and that such charge is in addition to, and is not in lieu of, any NSF or similar charge imposed by any bank and/or race track involved in the check-clearing process.
5. I understand and agree that this check approval process shall not be used by me to create a "float" for funds that are not currently available and collected in the Payroll Account.
6. Checks presented to the LHBPA for approval must be drawn on the Payroll Account and must be made payable to an employee who is listed as such on my most recent worklist on file with the Louisiana Horsemen's Workers Compensation Insurance Trust. Checks made payable to persons who are not listed as employees on my most recent worklist on file with the Louisiana Horsemen's Workers Compensation Insurance Trust will not be approved, even if such persons are, in fact, employed by me.
7. The license issued to me by the Louisiana State Racing Commission (the "Commission") as a trainer, owner-trainer or owner must be a good standing with the Commission when a payroll check drawn on the payroll account is presented for approval. The suspension or revocation of my license shall automatically terminate my participation in the check approval process.
8. Checks drawn on the Payroll Account and presented for approval to the LHBPA may not exceed One Thousand Five Hundred and No/100 Dollars (\$1,500.00) per check.
9. I hereby grant the LHBPA and all of its affiliated entities a security interest in any and all accounts that I or any entity in which I am a partner, member or shareholder have or may have with the LHBPA and any of its affiliated entities and I agree that the LHBPA and any of its affiliated entities may withdraw funds from any of said accounts to repay any funds that I or any entity in which I am a partner, member or shareholder may owe to them or any of them.
10. **I personally guarantee that all payroll checks drawn on the Payroll Account and approved by the LHBPA shall be paid without dishonor. I understand that by approving checks drawn on the Payroll Account, the LHBPA may incur obligations to the race track at which the payroll check is cashed. I therefore agree to indemnify, defend and hold the LHBPA and all of its affiliated entities harmless from and against any and all loss, liability or damage (including reasonable attorney's fees) incurred by the LHBPA as a result of a check drawn on the Payroll Account and approved by the LHBPA being dishonored or not paid promptly upon presentation.**

PRINT
NAME: _____
Local
Address: _____

EMAIL: _____
Permanent
Address: _____
Daytime
Phone No.: _____

SIGNATURE: _____

DATE: _____



AGREEMENT FOR APPROVAL OF NON-PAYROLL CHECKS

I, the undersigned trainer, owner-trainer or owner, hereby request that the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (the "LHBPA") approve non-payroll checks drawn on the account listed below (the "Account"). I acknowledge and agree that my request and any check approvals given by the LHBPA are expressly made subject to the following:

1. My participation in this non-payroll check approval process is a privilege and not a right.
2. The LHBPA may change the terms and conditions of the check approval process at any time and from time to time.
3. The LHBPA may terminate the check approval process at any time if it so decides.
4. I agree that I will only issue non-payroll checks for which sufficient, collected funds are on deposit in the Account. I understand and agree to pay an "NSF" charge to the LHBPA of \$25.00 for each check which is returned by the bank for insufficient funds and that such charge is in addition to, and is not in lieu of, any NSF or similar charge imposed by any bank and/or race track involved in the check-clearing process.
5. I understand and agree that this check approval process shall not be used by me to create a "float" for funds that are not currently available and collected in the Account.
6. Checks presented to the LHBPA for approval must be drawn on the Account and must be made payable to cash or to the race track at which the check is to be cashed.
7. The license issued to me by the Louisiana State Racing Commission (the "Commission") as a trainer, owner-trainer or owner must be a good standing with the Commission when a non-payroll check drawn on the Account is presented for approval. The suspension or revocation of my license shall automatically terminate my participation in the check approval process.
8. Checks drawn on the Account and presented for approval to the LHBPA may not exceed Six Hundred and No/100 Dollars (\$600.00) per check.
9. I hereby grant the LHBPA and all of its affiliated entities a security interest in any and all accounts that I or any entity in which I am a partner, member or shareholder have or may have with the LHBPA and any of its affiliated entities and I agree that the LHBPA and any of its affiliated entities may withdraw funds from any of said accounts to repay any funds that I or any entity in which I am a partner, member or shareholder may owe to them or any of them.
10. **I personally guarantee that all checks drawn on the Account and approved by the LHBPA shall be paid without dishonor. I understand that by approving checks drawn on the Account, the LHBPA may incur obligations to the race track at which the check is cashed. I therefore agree to indemnify, defend and hold the LHBPA and all of its affiliated entities harmless from and against any and all loss, liability or damage (including reasonable attorney's fees) incurred by the LHBPA as a result of a check drawn on the Account and approved by the LHBPA being dishonored or not paid promptly upon presentation.**

PRINT
NAME: _____

EMAIL: _____

Local
Address: _____

Permanent
Address: _____

Daytime
Phone No.: _____

SIGNATURE: _____

DATE: _____

