
LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2021

RICHARD  CPAS

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2021

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

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Independent Auditors' Report

To the Trustees
Louisiana Horsemen's Medical Benefit Trust

Opinion

We have audited the accompanying financial statements of Louisiana Horsemen's Medical Benefit Trust (the Trust), which comprise the statements of net assets as of December 31, 2021 and 2020 and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Trust as of December 31, 2021 and 2020 and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Louisiana Horsemen's Medical Benefit Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Horsemen's Medical Benefit Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Horsemen's Medical Benefit Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Horsemen's Medical Benefit Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in the relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Richard CPAS

Metairie, Louisiana
July 29, 2022

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

STATEMENTS OF NET ASSETS

DECEMBER 31, 2021 AND 2020

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 1,191,821	\$ 822,944
4% medical benefit receivable	322,709	287,335
Prepaid escrow reserve	35,000	35,000
Investments at fair value	433,090	427,933
Investments - other, at cost	59,000	58,647
Building and equipment, net	<u>50,183</u>	<u>38,223</u>
Total assets	<u>\$ 2,091,803</u>	<u>\$ 1,670,082</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 1,071	\$ 32,825
Medical claims payable	<u>299,258</u>	<u>408,482</u>
Total Liabilities	<u>300,329</u>	<u>441,307</u>
Net assets available for benefits	<u>\$ 1,791,474</u>	<u>\$ 1,228,775</u>

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

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Additions to net assets attributed to:		
Contributions		
4% Medical benefit revenue	\$ 3,620,799	\$ 2,721,197
Investment and other income		
Investment income	6,090	15,850
Total additions	<u>3,626,889</u>	<u>2,737,047</u>
Reductions to net assets attributed to:		
Medical benefit payments	2,304,115	2,801,382
Administrative expenses	760,075	796,557
Total reductions	<u>3,064,190</u>	<u>3,597,939</u>
Net increase (decrease) in net assets	562,699	(860,892)
Net assets available for benefits, beginning of year	<u>1,228,775</u>	<u>2,089,667</u>
Net assets available for benefits, end of year	<u>\$ 1,791,474</u>	<u>\$ 1,228,775</u>

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

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Nature of Activities

General

The Louisiana Horsemen's Medical Benefit Trust (the Trust) was formed to administer funds for the Louisiana Horsemen's Medical Benefit Plan. Louisiana racetracks at which horse races are held are obligated by Louisiana Revised Statute 4:183 to receive and distribute a determined amount, as specified in the statute, in order to provide for hospital and medical benefits and related administrative expenses.

The Louisiana Horsemen's Medical Benefit Plan (the Plan) was established to provide hospital and medical benefits and to pay for the administrative expenses related to providing such benefits for owners, owner/trainers, and trainers licensed to race horses in Louisiana, the employees of the owners, owner/trainers, trainers, and others.

Benefits

Except for employees of the Louisiana Horsemen's Benevolent & Protective Association 1993, Inc. (LAHBPA 1993, Inc.) who meet the eligibility requirements to receive benefits, the Trust shall not provide benefits to any employee of LAHBPA 1993, Inc. In June 2012, the State of Louisiana Legislature approved, and the governor signed House Bill No. 1111 which clarified the hospital and medical benefits provided by the Trust. House Bill No. 1111 amended Louisiana Revised Statute 4:183 to define hospital and medical benefits to include but not be limited to reasonable medical surgical, hospitalization, and physical rehabilitation, and dental and optical services, death benefits, drug and alcohol counseling, and other spiritual, mental, and psychological services provided for the welfare of eligible participants in the Trust. The term "hospital and medical" benefits also include one-time benevolence payments to persons in the equine industry who are in financial need as a result of serious illness or injury, fire, or natural disaster, including but not limited to hurricane, tornado, or flood.

Under the Plan, to be eligible for Plan benefits, an applicant must be licensed by, and in good standing with the Louisiana State Racing Commission. In addition, an applicant must enroll in the Plan and satisfy various eligibility requirements/conditions for participation. These requirements/conditions vary according to defined classifications. Also, the Plan provides financial assistance with eligible medical and hospital expenses, substance abuse counseling, and on-track chaplaincy. Reference to the Plan agreement should be made for a complete description of the eligible expenses and the dollar limit of coverage related to each eligible expense, together with conditions for assistance when a covered person has other medical and/or hospital insurance, major medical coverage, Medicare, or any other form of medical coverage.

During the year ended December 31, 2020, in response to COVID-19 and Hurricane Laura, the Trust authorized up to \$400,000 in benevolence related expenditures. In addition, in November 2020, the Trust modified the benefit eligibility requirements through December 31, 2020, in response to COVID-19 and Hurricane Laura disruptions to the racing calendar. During the year ended December 31, 2021, in response to Hurricane Ida, the Trust authorized up to \$140,000 in benevolence related expenditures.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Trust have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

Cash equivalents are all highly liquid investments with maturities of three months or less at date of acquisition.

Investments

The Trust's investments consist of mutual funds that invest in a range of government and U.S. government agency securities, a certificate of deposit, and an annuity. The mutual funds and annuity are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certificates of deposit are reported at cost which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation/depreciation includes the Trust's gains and losses on investments bought and sold as well as held during the year.

Building and Equipment

Building and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, between three and ten years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, and significant renewals and betterments are capitalized.

Contributions

The Trust is funded exclusively from the statutorily dedicated funds described in Louisiana Revised Statutes 4:183, together with Revised Statute 27:361 (B)(4)(b), relative to slot machines. These funds are referred to in the financial statements as 4% Medical Benefit revenue.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

2. Significant Accounting Policies (continued)

Tax Status

The Trust is exempt from federal income taxes under Section 501 (c) (4) of the Internal Revenue Code ("IRC"). Trust management and the Trust's counsel believe that the Trust is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Trust's financial statements.

The Trust applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Trust has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. Therefore, the implementation of this standard has not had a material effect on the Trust.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions to and reduction of net assets during the reporting period. Accordingly, actual results may differ from those estimates.

3. Investments

At December 31, 2021 and 2020, investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Certificates of deposit	\$ 59,000	\$ 58,647
Mutual funds	87,159	89,007
Annuity	<u>345,931</u>	<u>338,926</u>
	<u>\$ 492,090</u>	<u>\$ 486,580</u>

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

4. Building and Equipment - Net

At December 31, 2021 and 2020, building and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 20,142	\$ 20,142
Computer software	215,439	188,760
Computer hardware	35,839	35,839
Furniture and fixtures	11,408	11,408
Equipment	19,720	19,720
Field office trailers	120,952	120,952
Total cost	<u>423,500</u>	<u>396,821</u>
Less: Accumulated depreciation	<u>(373,317)</u>	<u>(358,598)</u>
Building and equipment, net	<u>\$ 50,183</u>	<u>\$ 38,223</u>

Depreciation expense of \$14,719 and \$34,500 is included in administrative expenses for the years ended December 31, 2021, and 2020, respectively.

5. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

5. Fair Value Measurements (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Trust are open-end mutual funds that are registered with the SEC. These funds are required to publish its daily net asset value (NAV) and to transact at that price. The mutual funds held by the Trust are deemed to be actively traded.

Annuity: Valued at fair value by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

The following table sets forth by level, within the fair value hierarchy, the Trust's net assets at fair value as of December 31, 2021 and 2020.

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 87,159	\$ -	\$ -	\$ 87,159
Annuity	-	-	345,931	345,931
Total	<u>\$ 87,159</u>	<u>\$ -</u>	<u>\$ 345,931</u>	<u>\$ 433,090</u>
<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 89,007	\$ -	\$ -	\$ 89,007
Annuity	-	-	338,926	338,926
Total	<u>\$ 89,007</u>	<u>\$ -</u>	<u>\$ 338,926</u>	<u>\$ 427,933</u>

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

5. Fair Value Measurements (continued)

The following table sets forth a summary of changes in the fair value of the Trust's Level 3 assets for the years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 338,926	\$ 330,380
Unrealized gains related to instruments still held at the reporting date	<u>7,005</u>	<u>8,546</u>
Balance, end of year	<u>\$ 345,931</u>	<u>\$ 338,926</u>

6. Termination of Plan

After advance consultation with the LAHBPA 1993, Inc., the Trustees may terminate the Trust. Upon that termination, the Trustees shall allocate the assets of the Trust as follows: (a) first, to pay any benefits due and owing under the Trust to the then current participants, dependents, and beneficiaries; (b) second, to pay the expenses of terminating the Trust; and (c) third, after consultation with the LAHBPA 1993, Inc., the excess shall be applied to the benefit of the then current participants, dependents, and beneficiaries. In no event, shall any assets of the Trust Fund be paid to, or inure to the benefit of the LAHBPA 1993, Inc. or any member thereof (other than through the payment of benefits in accordance with the Plan or the Agreement).

7. Related Party Transactions

During the years ended December 31, 2021 and 2020, general and administrative expenses included \$706,500 and \$720,000, respectively, for management fees paid to LAHBPA 1993, Inc. in accordance with the management agreement. The Executive Director function is performed by an employee of LAHBPA 1993 Inc.

8. Risks and Uncertainties

The Trust invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such change could materially affect the amounts reported in the statement of net assets available for benefits.

9. Concentration

Contributions received from purse and purse supplements as reported on the Statements of Changes in Net Assets Available for Benefits represent 99.83% and 99.42% of total additions to plan assets during the years ended December 31, 2021, and 2020, respectively.

The Trust periodically maintains cash in bank accounts in excess of insured limits. The Trust has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

10. Outbreak of COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets in the local area and around the world. While it is unknown how long these conditions will last and what the complete financial effect will be to the Louisiana Horsemen's Medical Benefit Trust, the Trust experienced declining revenue in 2020.

Horse racing in Louisiana resumed at three of the four tracks in June 2020. The fourth track resumed racing in November 2020. As described in Note 1, the Trust authorized change in medical benefits due to COVID-19.

During 2021, while the pandemic continued, certain restrictions on travel and access to public facilities was eased. As a result, the Trust experienced increases in revenue. The amount earned in 2021 exceeded pre-pandemic revenue amounts. New variants of the coronavirus continue to appear, but management of the Trust is cautiously optimistic that future impacts of financial results will continue to minimize.

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued July 29, 2022, and determined that there are no items that require additional disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

SCHEDULE OF COMPENSATION, BENEFITS, AND

OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED DECEMBER 31, 2021

Agency Head Name: Edwin Fenasci, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 141,325
Benefits - insurance	6,227
Meals and parking	168
Registration fees	-
Conference travel	1,125
	<u>\$ 148,845</u>

The Executive Director function is performed by an employee of LAHBPA 1993 Inc., a related entity. The Louisiana Horsemen's Medical Benefit Trust does not have any employees.

See independent auditor's report

OTHER REPORT



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

To the Trustees
Louisiana Horsemen's Medical Benefit Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Louisiana Horsemen's Medical Benefit Trust (the Trust), which comprise the statement of net assets as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Horsemen's Medical Benefit Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Horsemen's Medical Benefit Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Horsemen's Medical Benefit Trust's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard CPAS

Metairie, Louisiana
July 29, 2022

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT

DECEMBER 31, 2021



LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

**LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT**

DECEMBER 31, 2021

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Trustees of Louisiana Horsemen's Medical Benefit Trust and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021, through December 31, 2021. Louisiana Horsemen's Medical Benefit Trust's management is responsible for those C/C areas identified in the SAUPs.

Louisiana Horsemen's Medical Benefit Trust has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021, through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by Louisiana Horsemen's Medical Benefit Trust to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Louisiana Horsemen's Medical Benefit Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Richard CPAS

Metairie, Louisiana
July 29, 2022

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2021

Procedures

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “no exception noted” or for step 25 “we performed the procedure and discussed the results with management”. If not, then a description of the exception ensues.

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity’s operations:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

Not applicable – The Trust is not required to prepare a budget.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions were found as a result of this procedure.

c) ***Disbursements***, including processing, reviewing, and approving.

No exceptions were found as a result of this procedure.

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exceptions were found as a result of this procedure.

e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Not applicable – The Trust does not have any employees.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exceptions were found as a result of this procedure.

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- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Not applicable – The Trust does not have any credit cards.

- h) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Not applicable – The Trust does not have any Travel or expense Reimbursement.

- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Not applicable – The Trust is not subject to this requirement.

- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable – The Trust does not have any debt.

- k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Trust has written policies for Disaster Recovery/Business continuity; however, the policy does not specifically address attribute (4) use of antivirus software on all systems and (5) timely application of all available system and software patches/updates. While not included in the written policies, it was observed that the antivirus software was installed and in use and system software was updated.

- l) ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable – The Trust is not subject to this requirement.

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Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were found as a result of this procedure.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions were found as a result of this procedure.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions were found as a result of this procedure.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged).

No exceptions were found as a result of this procedure.

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- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged).

No exceptions were found as a result of this procedure.

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were found as a result of this procedure.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

No exceptions were found as a result of this procedure.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers.

No exceptions were found as a result of this procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

No exceptions were found as a result of this procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions were found as a result of this procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions were found as a result of this procedure.

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6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

No exceptions were found as a result of this procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions were found as a result of this procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions were found as a result of this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions were found as a result of this procedure.

- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions were found as a result of this procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No exceptions were found as a result of this procedure.

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9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions were found as a result of this procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions were found as a result of this procedure.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

No exceptions were found as a result of this procedure.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions were found as a result of this procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions were found as a result of this procedure.

- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions were found as a result of this procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the person who maintained possession of the cards. Obtain management's representation that the listing is complete.

Not applicable – The Trust does not have credit cards, debit cards, fuel cards, or P-cards.

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12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Not applicable – The Trust does not have credit cards, debit cards, fuel cards, or P-cards.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Not applicable – The Trust does not have credit cards, debit cards, fuel cards, or P-cards.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Not applicable – The Trust does not have credit cards, debit cards, fuel cards, or P-cards.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Not applicable – The Trust does not have any travel and travel-related reimbursements.

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- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not applicable – The Trust does not have any travel and travel-related reimbursements.

- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure#1h).

Not applicable – The Trust does not have any travel and travel-related reimbursements.

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable – The Trust does not have any travel and travel-related reimbursements.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions were found as a result of this procedure.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

No exceptions were found as a result of this procedure.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

No exceptions were found as a result of this procedure.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of this procedure.

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Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Not applicable – The Trust has no employees.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

Not applicable – The Trust has no employees.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

Not applicable – The Trust has no employees.

- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Not applicable – The Trust has no employees.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Not applicable – The Trust has no employees.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Not applicable – The Trust has no employees.

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19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Not applicable – The Trust has no employees.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Not applicable – The Trust is not subject to this requirement.

- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Not applicable – The Trust is not subject to this requirement.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

Not applicable – The Trust does not have any debt.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable – The Trust does not have any debt.

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Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No exceptions were found as a result of this procedure.

24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions were found as a result of this procedure.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accountingsystem software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

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Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Not applicable – The Trust is not subject to this requirement.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Not applicable – The Trust is not subject to this requirement.

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

a) Number and percentage of public servants in the agency who have completed the training requirements.

Not applicable – The Trust is not subject to this requirement.

b) Number of sexual harassment complaints received by the agency.

Not applicable – The Trust is not subject to this requirement.

c) Number of complaints which resulted in a finding that sexual harassment occurred.

Not applicable – The Trust is not subject to this requirement.

d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action.

Not applicable – The Trust is not subject to this requirement.

e) Amount of time it took to resolve each complaint.

Not applicable – The Trust is not subject to this requirement.

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Management Responses

Management acknowledges that the established internal policies and controls related to certain areas in the disaster recovery plan were undocumented. The Trust's policies and procedures manual was updated to include a written documented disaster recovery plan which was adopted by the Trustees at a July 14, 2022, Trustee meeting.