



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

September 29, 2014

## LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

The Louisiana Thoroughbred Breeders Association is not prompt in collecting debts it is owed, including some due from its own board members, and may be violating state law by using approximately \$10,000 annually in public funds to finance scholarships unrelated to its role in promoting the thoroughbred industry, a report from Legislative Auditor Daryl Purpera's office said Monday.

The investigative audit found that six members of the association's board of directors owed the organization more than \$19,100 of the \$61,932 that was due at the end of last year. By June 30 of this year, the amount owed had dropped to \$48,429 "with four members of the board of directors still owing balances." The money due comes from ads purchased in the association's publications.

The report said the association "allows accounts owing past due balances to continue to advertise unless the LTBA deems the account to be uncollectible."

On the scholarship issue, the state auditor's report said the LTBA operating funds come from both public and private sources, but the public money "is restricted for LTBA's administrative and operating expenses, to promote the thoroughbred breeding industry and to pay breeders' awards." Since the scholarships are neither an administrative or operating cost, nor a promotion of the thoroughbred breeding industry or breeder award, LTBA may not have the legal right to use these funds to pay scholarships.

The report said that because the association does not have a legal obligation to provide scholarships, the payments may violate the state Constitution's ban on the donation of public funds.

Auditors also found that several members of the LTBA board have ownership interests in an organization called Equine Sales of Louisiana, a direct competitor of the association's subsidiary, Breeders Sales Company of Louisiana. Both organizations conduct annual yearling sales.

"Although the LTBA's board of directors has a conflict-of-interest policy, the policy may not effectively address the fiduciary responsibilities of board members" to the association and its subsidiary, Breeders Sales, the report said. The report recommended the board seek a legal opinion from the state attorney general regarding a potential conflict of interest in having an ownership interest in a competing horse sales organization.



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In another finding, the state auditor's office pointed out that the Breeders Sales Company of Louisiana has one employee and relies on LTBA employees to take care of BSCOL business, but does not have a written agreement spelling out how the parent organization should be reimbursed for the subsidiary's operating costs.

"In 2013, BSCOL paid LTBA a management fee of \$20,000, but there is no documentation to explain how this amount was determined," the report said. Also in 2013, the association's board of directors voted to pay \$15,000 in bonuses to LTBA employees for their work on the annual BSCOL yearling sale, although the breeders' sales group did not reimburse LTBA for the cost of the employee bonuses.

The report recommended that the association and its subsidiary confer with lawyers and "enter into a written agreement outlining their joint operations."

**For more information, contact:**

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**On Twitter:** Thoroughbred Breeders Association not prompt in collecting debts owed, including some due from board members.