

# OIG IN BRIEF

## Why the OIG Did This Report

In October 2013, the OIG issued a performance audit titled “A Report on French Market Corporation Use of Funds” (2013 Report). The 2013 Report found that the FMC:

1. Leased Edison Park to NOML for \$1.00 per year, which was below the fair market rental value.
2. Violated the Louisiana Constitution because the FMC made sponsorship payments to other organizations without a CEA or other written agreement.
3. Exceeded its annual budgeted overtime amount.
4. Violated Civil Service overtime rules.

As a result of these findings and observations, the OIG recommended that the FMC should:

1. Seek competitive proposals to ensure the FMC receives fair market rental value for Edison Park.
2. Require written agreements for all sponsorships.
3. Monitor its overtime.

The OIG conducted this follow-up to determine the extent to which the FMC implemented the OIG’s recommendations or implemented its own corrective actions to resolve the findings and observations noted in the 2013 Report.

*A follow-up to “A Report on French Market Corporation Use of Funds”, October 26, 2016.*

View OIG [report](#) AD-15-0006. For more information contact Erica Smith at (504) 681-3200 or [esmith@nola.oig.gov](mailto:esmith@nola.oig.gov).

## **The French Market Corporation (FMC) Use of Funds: Follow-up Report**

### **What the OIG Found**

**Auditors found that the FMC adopted the OIG’s recommendations or implemented corrective actions to resolve most of the findings in the 2013 Report.**

**The FMC obtained an appraisal for the fair market rental value of Edison Park, and instead of allowing the New Orleans Musical Legends (NOML) to sublease the property to Café Beignet, the FMC leased it directly to Café Beignet. The FMC’s annual revenue of approximately \$180,000 exceeded the appraised fair market rental value of the property.** Under the previous terms, the FMC received rental income of \$1.00 per year from NOML. NOML received the greater of seven percent of Café Beignet’s gross sales or \$75,000 annually to sublease the property to Café Beignet. Under the new terms, the FMC leased the property directly to Café Beignet and increased its rental income from \$1.00 per year to \$179,652 during the first year of the contract. This rental income also exceeded the \$170,450 appraised fair market value by \$9,202.

**Auditors found that the FMC obtained written cooperative endeavor agreements (CEAs) for all sponsorships and other cooperative endeavors which was in compliance with the Louisiana Constitution.**

The FMC had five written CEAs in effect at the time of testing, and each CEA:

1. Clearly identified the public purpose for the expenditure or transfer;
2. Described how the benefit offered to the FMC was at least equivalent to the public funds or property used; and
3. Outlined the reciprocal obligations between the parties.

By obtaining written agreements, the FMC identified the public purpose for its sponsorships and cooperative endeavors as well as the FMC’s benefit. Because the FMC included these requirements in its written agreements, the FMC reduced its risk of violating the Louisiana Constitution, which prohibits of the donation of public funds.

**The FMC incurred \$223,000 in overtime expenses which exceeded its budgeted overtime of \$127,000 for the year ended December 31, 2014; however the difference was largely due to the FMC assuming management of three parking lots and Crescent Park.** Auditors noted during the follow-up that the FMC Board of Directors approved to contribute 100 percent of the quarterly parking lot net revenues to the City for at least three years, beginning in 2015. This change increased the FMC’s annual contribution to the City from \$1.1 million in 2014 to approximately \$2.0 million in 2015.

**FMC employees exceeded annual and weekly overtime limits established by the Civil Service Commission.** FMC employees continued to violate Civil Service overtime rules. Two employees exceeded the 416 hour annual overtime limit by 135 hours and 39 hours, respectively. Additionally, the FMC did not obtain prior approval for any employees who exceeded eight hours of overtime in a single week. The FMC should monitor its employees’ overtime to ensure all overtime expenditures are necessary.