EXECUTIVE SUMMARY

The Office of Inspector General conducted a performance audit of the French Market Corporation's (FMC) policies and procedures regarding the use of funds for the period January 1, 2010 through December 31, 2011. The objective of the performance audit was to evaluate the FMC's internal controls over use of funds and test if these controls were implemented and operating effectively.

This report is issued to offer recommendations and observations concerning the FMC's use of funds in daily operations.

The audit revealed that the FMC made sponsorship payments to other organizations totaling $64,696 in violation of the Louisiana Constitution during the period tested. The FMC also exceeded pre-approved budgeted limits for overtime, as well as annual and weekly overtime limits set by the Civil Service Commission. The FMC also did not obtain advance approval from the Civil Service Commission prior to allowing employees to exceed 8 hours of overtime in a work week.

The auditors observed that the FMC has an excellent opportunity to seek competitive proposals for the lease of Edison Park[1] before the current lease expires in February 2014. As a professional property manager for the City, the FMC should directly manage this valuable property and lease it for no less than its appraised fair market value.

The auditors noted that significant improvements were made to FMC accounting policies and procedures in a follow-up to the OIG's 2011 Report, "A Report on the French Market Corporation's Credit Card and Expense Reimbursement Policies."[2] During the period tested, the FMC also reduced annual overtime expenses from 2010 to 2011.[3] In 2012, the FMC was able to make a contribution of $1 million to the City's general fund for the first time since 2005.[4]

The recommendations in this report, if adopted, should improve the FMC's internal controls over use of funds, reducing the opportunity for fraud, waste and abuse.

All responses by the FMC in the body of this report are direct statements from the FMC and have not been modified.

[1] The FMC leased the park to New Orleans Musical Legends (NOML) for a $1 a year. Per the terms of the exiting lease, NOML was permitted to sublease the park and received all revenue from the sublease.

[2] The follow-up report, issued on January 16, 2013, found that six of the 2011 Report's nine recommendations had been implemented fully, and the remaining three recommendations had been partially implemented.

[3] The FMC's annual overtime expenses significantly exceeded the amount budgeted for the year ended December 31, 2010 (Finding # 2). The FMC's annual overtime expenses were within the budgeted amount for the year ended December 31, 2011.

[4] Per the agreement with the City of New Orleans, the FMC is required to pay the greater of $100,000 or 20% of its net adjusted revenues at the end of each fiscal year. Prior to Hurricane Katrina, it was routine for the FMC to make additional annual contributions to the City's general fund.