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THE AUDUBON NATURE INSTITUTE'S USE OF \$435,000 IN PUBLIC FUNDS TO PAY FOR CERTAIN EXPENSES MAY HAVE VIOLATED THE CONSTITUTION

As detailed in the Audubon Commission (Commission) and Audubon Nature Institute (Institute) Purchase Cards and Expense Reimbursements Audit report released today, the Office of Inspector General (OIG) conducted a performance audit of the Institute's internal controls over employee purchase card transactions and expense reimbursements for the period of January 1, 2013 through December 31, 2014.

During the course of the audit, the OIG determined the Commission may have violated state and municipal laws and prevailing legal authority when it entered into a hybrid contract with the Institute. The Institute and the Commission operate with a contract ostensibly approved by the New Orleans City Council. Under the contract's hybrid structure – part Management Agreement/part Cooperative Endeavor Agreement (CEA) – the Institute obfuscates its use of Commission funds through various accounting codes and through reliance on a management agreement which created obligations the Institute could not reasonably expect to accomplish for the \$50,000 management fee paid by the Commission to the Institute. Yet, the structure of the contract between the Institute and Commission enabled the Institute to characterize this obvious shortfall as their explanation of the CEA portion of the contract. Therefore, where a prohibited expense was found under the Louisiana Constitution Art. 7, Sec. 14(A), the Institute, in effect, claimed it was a permissible expense under the Management Agreement portion of their contract and not subject to constitutional scrutiny. Under the contract between the parties, only \$50,000 – the management fee – would arguably be exempt from Constitutional review.

The Institute's ability to rely on the management agreement provisions is limited to the \$50,000 management fee. However, as described below, during the course of the audit, the OIG identified approximately \$435,000 in which the Institute used Commission funds to pay for expenses that may have violated the Louisiana Constitution.

- 1) The Institute incurred \$33,961 on purchase cards and reimbursed employees \$4,718 for expenses that appeared to lack a public purpose. When projected to the population, the Institute incurred \$209,483 on purchase cards and reimbursed employees \$5,665 for expenses which may have lacked a public purpose.
- 2) The Institute used at least \$220,898 of Commission funds to urge voters to support the "Vote 'Yes' for Audubon" 2014 millage campaign. The Institute also may have violated state law when it filed untimely campaign finance reports.

Finally, the OIG identified contracts totaling \$308,000 for which the Institute did not obtain competitive bids which may have violated state law.

Despite the findings noted above, the Institute developed and adopted policies governing employee purchase cards and expense reimbursements, and those policies complied with best practices. The Institute's controls over the issuance and cancellation of its purchase cards, as well as its review and approval of transactions, were also implemented and operating effectively.

“The core findings in our audit are based on an objective analysis and sufficient evidence. The hybrid contract between the Commission and the Institute is flawed, and the transactions noted may not comply with the Louisiana Constitution. While the Institute disagrees with our findings, they stated they will review their processes to determine if they comply with best practices.”

In addition to today's report, the OIG released a brief with highlights. Go to www.nola.oig.gov to view all OIG reports.

The report, news release and all other OIG work products associated with this report are **EMBARGOED FROM PUBLICATION UNTIL 12:01 A.M. WEDNESDAY, DECEMBER 18, 2019. THE OIG PROVIDES THIS INFORMATION IN ADVANCE FOR EDITORIAL PLANNING PURPOSES ONLY.**