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'Sean Payton Show' producer received $1 million in improper tax credits, inspector general says

The producer of a reality television show on the New Orleans Saintsations, pictured here in a December 2015 photo, received state tax credits for expenses Louisiana's inspector general says were inflated or never incurred. (Photo by David Grunfeld, NOLA.com | The Times-Picayune) (David Grunfeld, NOLA.com | The Times-Picayune)

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The state inspector general says a production company received more $1 million in **tax credits** for expenses that were inflated or never incurred in the making of "The **Sean Payton** Show" and a reality television show that never aired.

The company's attorney disputes the findings, noting it supported all of its spending with documentation as **Louisiana Economic Development** required. Further, he questions the sources for the information provided to the inspector general and TV news reports.

Horizon Entertainment and Productions, owned by Jason Sciavicco, produced two seasons of "The Sean Payton Show" and worked on "Saintsational," a reality show about the New Orleans Saints cheerleaders. According to Inspector General Stephen Street, the company claimed spending $8.23 million on the two programs in 2011 and received at least $1.03 million in state motion picture tax credits. Although "Saintsational" never aired, it was still eligible to receive the tax credits.

A state investigation found that $3.46 million of the submitted expenditures for both shows were either insufficiently documented, priced higher than the actual cost or for items that were never actually purchased. Street's probe came after WVUE Fox 8 reported in a series of stories that Horizon submitted false expenses to the state.

Fox 8 is a news partner of NOLA.com | The Times-Picayune.

Walter Becker, Horizon's attorney, said those stories are "flawed and erroneous," refuted by paperwork provided to Louisiana Economic Development and also company employees who were not part of the Fox 8 stories. The former Horizon employees that investigative reporter Lee Zurik reported were biased against Horizon because they had been terminated or they are currently employed at WVUE or its affiliates.

"This is a company that was recruited to Louisiana by LED. They didn't fly in here as a vulture. LED recruited them heavily for Hollywood South," Becker said in an interview.

Street has turned over his findings to the district attorney's office in East Baton Rouge for consideration of possible criminal charges.

The inspector general's report highlights Horizon's alleged questionable spending claims, which included $727,500 in edit suite rental from WVUE studios, which are owned by Tom Benson. The station says it never charged the company for using its editing facilities, but Becker said Horizon gave Benson a share of the company in exchange for editing access.

Street also singles out "circular bank transfers" between Horizon and a subsidiary, which he said created the impression the company was spending more than it actually was on its productions. For "The Sean Payton Show," for example, he found that $2.19 million was incrementally transferred from Horizon's checking account to a production account and then back to Horizon in amounts no larger than $39,000. There were 263 transactions recorded that day, which Street said creates the impression Horizon spent more than $2 million on the show.

Becker said state law required Horizon to establish a subsidiary for handling production expenses, and the transfers were fully documented with Louisiana Economic Development at the time.

Horizon submitted to LED an invoice for a $360,000 "Coach's Fee," marked paid in November 2009, although Payton's appearances on the show were part of his contract with the Saints. Street said this was done so Horizon could increase its claim for an executive producer fee, another expense eligible for tax credit reimbursement.

In his response to Street, Becker said the CPA who conducted Horizon's audit didn't have access to the Saints' confidential contract with Payton and had no way of knowing he was already being compensated for media appearances. The production company ultimately took the fee off its qualifying expenditures list, and no credits were ever issued for it, he said.

Street issued recommendations to Louisiana Economic Development with the Horizon report. They call for accountants who audit tax credit recipients to directly trace money transferred between entities to specific expenses. He also suggests stricter limits on expenditures, markups and fringe charges, including thorough documentation.

Street said the LED should seek changes in state law to give it the power to:

- deny an entire tax credit application when any fraudulent information or documentation is submitted;

- issue a lifetime ban on anyone who has committed fraud in the tax credit program;

- require tax credit applicants keep their documentation for at least five years and five state investigators access to those records; and

- require applicants to affirm that non-monetary transactions are not part of their audited cost reports.

LED Secretary Dan Pierson responded to the recommendations, saying he agreed in whole or part with them.

In regards to tracking direct wire transfers, he said CPAs already have the duty to verify such information in an audit, as well ensuring any markups or fringe charges are warranted and documents.

Pierson concurred with all the statutory changes Street recommended.

Becker said Horizon also agrees with the IG's suggestions to make tax credit provisions more specific. He insists the credits his clients received were proper, and many of the issues brought up in Street's report could be resolved with more clarity in policy.

"Due to the amount of communication between Horizon and LED, it is clear that LED was not deceived by any of these expenditures and that LED had full and complete knowledge and understanding of the transactions," Becker said.