

A Compliance Audit Report on the
**LIGHT CITY CHURCH AND
LIGHT CITY CHRISTIAN ACADEMY**
Issued October 30, 2013



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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

October 30, 2013

KEVIN DAVIS, DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS
Baton Rouge, Louisiana

Pursuant to your request and our agreement, we performed a detailed analysis of certain transactions of Light City Church and Light City Christian Academy (Light City). Our analysis was conducted to determine if seven public assistance projects were completed and if sufficient documentation existed to support the work.

Our detailed analysis consisted primarily of inquiries and the examination of selected financial transactions, records, and other documentation. The scope of our analysis was significantly less than an audit conducted in accordance with *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This report is intended primarily for the information and use of GOHSEP management and the Louisiana Legislature. This is a public report and copies have been delivered to the appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive, flowing style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

LIGHT CITY 2013

EXECUTIVE SUMMARY

Pursuant to the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management's request and our agreement, we performed a detailed analysis of certain transactions of Light City Church and Light City Christian Academy (Light City) that were funded through the Federal Emergency Management Agency's (FEMA) Public Assistance (PA) grant program. All of the projects are related to damages caused by Hurricane Katrina. Our objective was to determine if funds provided to Light City were used in accordance with the rules and regulations that govern the program.

Through our analysis, we determined that:

- As of June 30, 2013, GOHSEP provided \$839,184 of PA project funds and \$15,028 in administrative funds to Light City.
- As of June 30, 2013, Light City provided documentation to support \$512,552 of the \$839,184 it received.
- Light City has not provided documentation to GOHSEP to support \$326,632 of PA funds it received and as of June 30, 2013, only had \$59,755 left in the account where all the PA reimbursements were deposited.
- Light City did not provide adequate supporting documentation, including two unsubstantiated proposals, to support compliance with federal procurement requirements.

FINDINGS AND RECOMMENDATIONS

FEMA provided funding to Light City through seven project work sheets and GOHSEP provided reimbursements as shown in the following table.

Project Work Sheet	Scope of Work	Project Work Sheet Value	Project Cost	Admin. Cost ¹	Paid to Light City
8410	Replace Contents	\$504,046	\$122,436	\$2,449	\$124,885
9334	Temporary Building	140,173	114,698	3,869	118,567
9356*	Building Repairs	0	0	0	0
9485	Repair Fence	148,477	17,720	177	17,897
16304**	Mold Remediation	0	44,845	900	45,745
16373	Building Repairs	2,384,984	515,739	7,396	523,135
20109	Direct Admin Costs	23,746	23,746	237	23,983
Totals		\$3,201,426	\$839,184	\$15,028	\$854,212

* FEMA did not provide funding for this project work sheet

** FEMA moved the funding from this project work sheet to project work sheet 16373 after GOHSEP had reimbursed some costs

Through the FEMA PA grant program, grantees and sub-grantees are reimbursed for eligible disaster related expenses. Light City, a sub-grantee, submitted documentation of expenses incurred to GOHSEP, the grantee, for review prior to reimbursement.²

As of June 30, 2013, Light City received \$839,184 through the PA program for project-related costs. All of the reimbursements were deposited into the same account, along with other business transactions. Of the \$839,184, Light City has provided supporting documentation for \$512,552 with eligible invoices, contracts, etc. The remaining \$326,632 of project related costs have been reimbursed but are unsupported, and are discussed in more detail below.

Unsupported Reimbursements

Light City has not provided supporting documentation to GOHSEP for \$326,632 of PA funds it received. As of June 30, 2013, Light City only had \$59,755 left in the account where all the PA reimbursements were deposited.

Ineligible purchases - Light City submitted \$121,646 in invoices for items that are not eligible for reimbursement. FEMA provided funding, to Light City through project work sheet 8410, for classroom furniture, fixtures, equipment, and instructional materials. As support for

¹ FEMA provides funding for administrative costs based on a sliding scale of total project costs from all project work sheets for a sub-grantee and does not require documentation to support them.

² GOHSEP may reimburse a sub-grantee through its Express Pay System. Through the Express Pay System, sub-grantees are reimbursed prior to a complete review of the supporting documentation.

the funding received, Light City provided invoices that include a stove, paint, cleaning supplies, concrete, and a camera, among other items. Since none of these items are classroom contents, their cost cannot be reimbursed under this project work sheet.

Overpayments - GOHSEP overpaid Light City \$139,301. Light City has not yet returned the grant monies or provided supporting documentation for those expenditures. In FEMA's initial version of project work sheet 16373, the entire building was determined eligible for public assistance. Therefore, GOHSEP reimbursed Light City the entire invoiced amounts. FEMA later determined that only 67 percent of the building was used for public purposes and was eligible for assistance. FEMA then drafted an amendment to project work sheet 16373 that limited eligible expenses to 67 percent of eligible invoices.

The resulting \$139,301 overpayment is the difference between what GOHSEP reimbursed and what Light City is now allowed to receive for eligible costs. GOHSEP informed Light City that additional eligible expenses could be used to off-set the overpayment. Light City has not yet provided any additional eligible expenses.

Lack of supporting documentation - Light City has not yet provided documentation to support \$65,685 in reimbursements. GOHSEP reimbursed \$20,840 of the \$65,685 through the Express Pay System. Though it has been several months since GOHSEP reimbursed these costs, Light City has not yet provided full documentation.

Light City received the remaining \$44,845 (of the \$65,685) from a small project³ (project work sheet 16304) that FEMA has since combined with project work sheet 16373. Federal regulations do not require documentation to support the costs in small projects so, in accordance with federal regulations, GOHSEP released funds to Light City as soon as project work sheet 16304 was approved by FEMA. When FEMA combined project work sheet 16304 with project work sheet 16373, a large project, Light City was required to provide documentation to support the work. Even though the work has been complete for several years, Light City has not provided documentation to support the cost.

Without the supporting documentation, it is unclear if the federal funds were used for their intended purpose. Light City only has \$59,755 in the account where all the reimbursements were deposited.

Unsubstantiated Documentation

Light City provided two unsubstantiated proposals to attempt to support compliance with federal procurement requirements.

During our review of Light City's reimbursement requests, we noted discrepancies with two proposals that Light City provided to support the procurement of repair work. The two proposals were purportedly from:

³ Small projects are generally based on estimates. The grantee provides funds to the sub-grantee as soon as possible after FEMA obligates the funds. For Hurricane Katrina, small projects were defined as those \$55,500 and under.

- ABM Enterprises, Inc.; and
- L.O. Ausama Enterprises, Inc.

We contacted each company for clarification. Each company informed us that they did not create or provide the proposals to Light City. The owner of ABM Enterprises added that his company had provided Light City a proposal for construction management work, but the proposal we showed him was not the one he provided.

Ms. Audrey Walker, administrative coordinator for Light City, did not recognize the company ABM Enterprises and stated that the proposal may have been obtained by Mr. Maury Baker, Light City's project manager. Ms. Walker also stated that Mr. Baker obtained the L.O. Ausama Enterprises proposal.

We spoke with Mr. Baker concerning his project management work for Light City. He stated that his contract was never executed, but that he did provide Reverend Leonard Lucas, facility owner, and Ms. Walker an estimate of work for one project. He also provided Ms. Walker a list of contractors with whom he had previously worked. Mr. Baker stated he neither met with contractors for Light City nor received proposals from any contractors.

Recommendations

When GOHSEP management became aware of the discrepancy between Light City's reimbursements and fully supported expenses, they asked us to conduct a detailed review of Light City's project work sheets and supporting documentation.

We recommend that GOHSEP management:

- (1) remove Light City from the Express Pay System;
- (2) seek reimbursement from Light City for funding in excess of supporting documentation;
- (3) advise Light City to rebid any work that has not already started to ensure compliance with 44 CFR;
- (4) advise Light City to have cost analyses prepared for all work not properly procured; and
- (5) continue to provide public assistance program training to potential private nonprofit sub-grantees with a focus on program regulations and procurement.

Management's response is included in Appendix A.

BACKGROUND

The federal government makes disaster relief funding available to state, local, and Indian tribal governments under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). The Stafford Act authorizes the PA program, which is administered by FEMA. The rules and regulations governing the PA program are codified in Title 44 of the Code of Federal Regulations.

Under the Public Assistance program, GOHSEP is the grantee for the State of Louisiana. All program funding flows through GOHSEP to eligible sub-grantees. Public Assistance program guidelines define eligible sub-grantees as state agencies, local governmental entities, qualifying non-profit entities, and Indian Tribes

Light City Church and Light City Christian Academy (Light City) is a non-profit organization located at 6117 St. Claude Avenue in New Orleans, Louisiana. Light City operates a school for grades kindergarten through twelfth grade. Reverend Apostle Leonard Lucas Jr. owns the facility.

FEMA determined that Light City was eligible for Public Assistance funding because they are a non-profit that provides a government service and sustained damage as a result of Hurricane Katrina.

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

State of Louisiana
Governor's Office of Homeland Security
and
Emergency Preparedness

KEVIN DAVIS
DIRECTOR

October 14, 2013

Mr. Daryl Purpera, CPA, CFE
Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Re: Light City Church and Light City Christian Academy
Compliance Audit Report

Dear Mr. Purpera,

We have reviewed your draft report and recommendations. We fully concur in your findings and recommendations. Specifically, the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) actions regarding your recommendations are as follows:

Recommendation 1. Remove Light City Church from Express Pay System.

GOHSEP Action: Light City Church was effectively removed from our Express Pay System on June 29, 2010 when we first became aware of the documentation anomalies with their reimbursement requests and froze all subsequent reimbursements.

It is not uncommon for applicants such as private non-profit organizations to experience difficulties in fully understanding the complexities of the FEMA Public Assistance grant program. Both GOHSEP and FEMA provide extensive education and training outreach opportunities to prospective grant applicants. But, in the wake of Hurricanes Katrina and Rita, it was not practical to effectively reach the nearly 1,500 applicants.

Based on the numerous meeting between GOHSEP and Light City, it is clear that Light City did not fully understand the grant requirements for their recovery work. GOHSEP has worked closely with Light City to ensure that the unique grant requirements of the FEMA Public Assistance grant program are fully understood so that the outstanding documentation deficiencies can be resolved.

Recommendation 2. Seek reimbursement from Light City for funding in excess of supporting documentation:

GOHSEP Action: GOHSEP has worked closely with Light City since June 2010 to resolve the outstanding documentation deficiencies. Based on the findings in this report, it is our plan to

Mr. Daryl Purpera
October 14, 2013
Page 2

meet with Light City and establish a clear and firm deadline for an acceptable resolution that may include: submittal of all outstanding documentation to support the overpayment of \$326,632; submittal of a scheduled plan to complete the remaining work and agree to offset future work documentation to support the overpayments; or, immediate return of the overpayments.

Recommendation 3. Advise Light City to rebid any work that has not already started to ensure compliance with 44 FCFR

GOHSEP Action: GOHSEP has already advised Light City of the Federal procurement requirements detailed in 44CFR. On a yearly basis, GOHSEP offers a special education outreach programs to all applicants that focuses on the regulatory requirements of FEMA Public Assistance grants. The training emphasizes procurement guidelines.

Recommendation 4. Advise Light City to have cost analysis prepared for all work not properly procured

GOHSEP Action: All of GOHSEP's education and training outreach programs emphasize to applicants that every procurement necessitates a cost analysis. Light City has been individually advised of this requirement.

Recommendation 5. Provide public assistance program training to potential private non-profit sub-grantees (applicants) with a focus on program regulations and procurement.

GOHSEP Action: In 2010, GOHSEP when faced with approximately 300 new potential Private Non Profit (PNP) applicants, we developed a special Applicant Briefing custom tailored for such organizations. PNPs have unique eligibility restrictions in the Stafford Act. One of these provisions limits funding assistance to PNPs to a percentage of their damages based on the ratio of eligible functional space to ineligible functional space. This restricted funding provision is what resulted in the post award reduction of funding for the Light City facility which accounts for \$139,301 of the \$326,362 in overpayments. GOHSEP will continue to reinforce these unique PNP provisions for all new disasters.

Thank you for your assistance in this matter.

Sincerely,

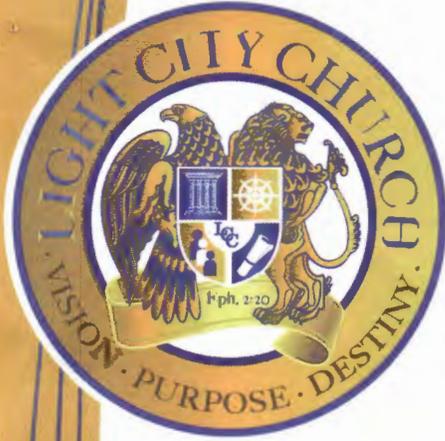


Mark DeBosier
State Coordinating Officer
Disaster Recovery

cc: Kevin Davis, Director
GOHSEP

Mark Riley, Deputy Director, Disaster Recovery
GOHSEP

"Giving Vision, Purpose & Destiny to God's People"
Apostle Leonard & Prophetess Varnise Lucas



October 15, 2013

Dear Daryl G. Purpera:

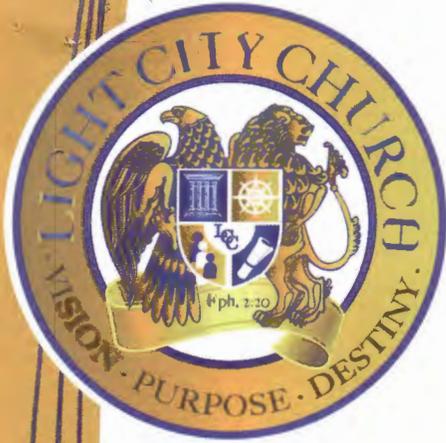
Please accept these responses in regards to the Compliance Audit for Light City Church and Light City Academy.

Light City has been awarded funding from FEMA to repair our buildings after Hurricane Katrina, when monies were awarded no rules and regulations to govern this program were given.

Light City provided supporting documentation for all monies used, but because of no prior rules and regulations, we submitted some things under the wrong Project Worksheet numbers. Some items that should have been submitted under PW 8410 were submitted under PW 16373; which would have been just changing things over to the correct project worksheet. We thought but found out that this isn't as easy as we were told. We have had at least four different representatives from GOHSEP, and because we were misinformed with this process, some things have not been reported properly. Mr. Lucas has been such a mouthpiece for the program, that in 2010, GOHSEP began briefing the applicant at that time with information that should have been established and presented beforehand. We don't feel that we should be held responsible for things if rules and regulations were not established first!

In regards to ineligible purchases, it is Light City's understanding that some of these invoices will again be submitted after the Project Worksheet is changed to an Improved Project and placed into the scope of work. In FEMA's initial version of project worksheet 16373, the entire building was determined eligible for public assistance. FEMA later determined that only 67 percent of the building was eligible, and they are saying we were overpaid due to resulting amounts of \$139,301, which our plan is to provide additional eligible expenses to help offset this amount.

"Giving Vision, Purpose & Destiny to God's People"
Apostle Leonard & Prophetess Varnise Lucas



In regards to unsubstantiated documentation, all proposals that we submitted to support proper procurement and compliance were obtained by a contractor who looked at the job and provided us with bids. The two bids that GOHSEP is referring to were submitted by a man whom we planned to hire as Project Manager, his name was Mr. Maury Baker. He seemed to be very knowledgeable. Since we did not know him, we gave him a small task to see how well he would do, which was to contact contractors and submit bids for a small job. This small task took him a long time to complete. We were told by friends that he was having some personal problems, that seemed to interfere. There was even a time that he didn't answer any of our calls. When we received the bids shortly after that, we were sent a bill, (attachment A) to prove that even though a contract was never executed, this is the task that he completed for us. The information in the Louisiana Legislative Auditor's (LLA) report is different. After Light City contacted both owners of the proposals that Mr. Baker submitted for the ABM Enterprises, Inc. and the L.O. Ausama Enterprise, Inc. directly, they both told us that Mr. Baker worked for them at some time in the past. In doing so, he had knowledge of the type of proposals they would normally submit. Light City feels that this invoice presents proof that documentation was obtained properly.

Mr. Baker has admitted to the LLA that the Plumblin invoice attached was in fact his, but he is saying that he didn't perform the tasks on the invoice. He said to LLA that it was an estimate. However, it clearly says invoice, not estimate on the document. When I tried to contact Mr. Baker via email for clarity of his reasoning for stating that misinformation to the LLA, he sent me an email response back stating that he had not been paid. This email is attached to this report. That is verification that he feels that he provided a service to us (as indicated on the invoice) in which he should have been paid for, which in fact is the bidding proposals he submitted on the invoice.

Furthermore, neither the ABM Enterprises, Inc. nor the L.O. Ausama Enterprise, Inc. were never selected to do any work for Light City and Light City Christian Academy. These proposals were submitted in support of procurement for a particular job that they never performed. No monies were paid to either company.

A handwritten signature in black ink, appearing to be the initials "L & V" in a stylized, cursive font.

"Giving Vision, Purpose & Destiny to God's People"
Apostle Leonard & Prophetess Varnise Lucas



In response to the recommendations:

Light City doesn't agree with these responses, since there is not a discrepancy between Light City reimbursements. How can you have a problem with reimbursements if neither one of the bids discussed were selected?

Thank You for giving us an opportunity to responses to this report.

A

PLUMBLINE CONSULTANTS

5916 PRESS Drive

New Orleans, Louisiana 70126

(504) 701-5058 mgrconst@gmail.com

Project no: 11-lig0181

Inv no. lig0181-01

Invoice

Light City Academy c/o Rev. Lucas

6117 St. Claude Ave.

New Orleans, La. 70117

RE: Project Management Services

DETAILS

- 1. Prepare bid solicitation for renovation/ reconstruction of school main entrance and installation of bathroom partitions in men and women bathrooms.

40hrs @ \$125 per hour.	\$ 5,000.00
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- 2. Site visit with A/E and contractors during bid solicitation (3 visits) \$ 750.00

- 3. Bid review and contract award (10 hrs) \$ 1,250.00

////////////////////////////////////Nothing follows////////////////////////////////////

Total Invoice	\$ 7,000.00
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30 days net payment due

Please remit all payments to: Plumblin Consultants, 5916 Press Drive, New Orleans, Louisiana 70126

From: Mom awalke33@bellsouth.net
Subject: Re: procurement for bathrooms/entrance room
Date: June 25, 2013 at 10:06 PM
To: Maury Baker mgrconst@gmail.com

Please call me

Sent from my iPhone

On Jun 13, 2013, at 12:17 PM, Audrey Walker
<awalke33@bellsouth.net> wrote:

Mr baker what is going on why can't y make a phone call and talk to me about this matter y say y have not been paid what are y expecting payment for?

Sent from my iPhone

On Jun 12, 2013, at 8:43 PM, Maury Baker
<mgrconst@gmail.com> wrote:

I have not been paid.