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Report Highlights

Victory Gospel Chapel Ministries of New Orleans

Governor's Office of Homeland Security and Emergency Preparedness

Audit Control # 52120007

Recovery Assistance Services • January 2013

Why We Conducted This Audit

To assist the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), we analyzed certain transactions of Victory Gospel Chapel Ministries (Victory Gospel) funded by the Federal Emergency Management Agency (FEMA) Public Assistance program related to Hurricane Katrina to determine if funds were expended in accordance with federal regulations.

What We Found

- Although FEMA determined that Victory Gospel was not eligible to receive any Public Assistance funding for damages caused by Hurricane Katrina and upheld that decision through its appeals process, FEMA still provided funding to Victory Gospel for eight projects.
- Victory Gospel represented that it used most of the \$201,901 (\$196,962 for direct project costs and \$4,939 for administrative costs) in FEMA Public Assistance funds for content replacement, fence replacement, and building repairs. We observed that the work was substantially incomplete and Victory Gospel's May 2012 bank statement indicated an available balance of only \$1,170.
- As of July 2012, Victory Gospel still had not provided any documentation to support the work described in the project worksheets and the work was substantially incomplete.
- In August 2012, FEMA de-obligated all of Victory Gospel's project worksheets.

Site Inspections

- GOHSEP August 2011 - None of the replacement contents were in any of the buildings located at 7931 Chef Menteur Highway. Pastor Harry stated that four poorly maintained items at Victory Gospel's temporary facility located on St. Claude Avenue were purchased with grant funds. Those purchases were not documented.
- Legislative Auditors May 2012 - Victory Gospel had not completed the building repairs described in the scope of work for the project worksheets. All of the buildings on the property had been gutted and the debris had been removed from the property. Only a portion of chain-link fence had been replaced. The repair work was substantially incomplete.

Management's Response to Auditors

- GOHSEP agrees with the report findings and recommendations and indicated that they intend to seek reimbursement of the \$201,901 of grant funds provided to Victory Gospel.
- Pastor Harry responded that he was told to use the funds to open a temporary facility and for the up keep of the damaged property. He also stated that the replacement contents and fencing that he purchased were stolen.

View the full report at www.lla.la.gov.

A Compliance Audit Report on the
VICTORY GOSPEL CHAPEL MINISTRIES
OF NEW ORLEANS
Issued January 9, 2013



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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 9, 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 Victory Gospel Chapel Ministries of New Orleans. Our compliance audit was conducted to determine if eight Public Assistance small projects were completed and if sufficient documentation existed to support the work.

Our compliance audit consisted primarily of inquiries and the examination of selected financial transactions, records, and other documentation. The scope of our audit 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 the Governor's Office of Homeland Security and Emergency Preparedness management and the Louisiana Legislature. This is a public report and copies have been delivered to the appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LT:JS:JM:ch

VICTORY GOSPEL 2012

EXECUTIVE SUMMARY

Pursuant to GOHSEP management's request and our agreement, we performed a detailed analysis of certain transactions of Victory Gospel Chapel International Ministries (Victory Gospel) that were funded through the Federal Emergency Management Agency's (FEMA) Public Assistance program related to Hurricane Katrina. Our objective was to determine if funds provided to Victory Gospel were used in accordance with the rules and regulations that govern the program.

Through our analysis, we determined that:

- Although FEMA determined that Victory Gospel was not eligible to receive any Public Assistance funding for damages caused by Hurricane Katrina and upheld that decision through its appeals process, FEMA still provided funding to Victory Gospel for eight projects.
- Victory Gospel represented that it used most of the \$201,901 (\$196,962 for direct project costs and \$4,939 for administrative costs) in FEMA Public Assistance funds for content replacement, fence replacement, and building repairs. We observed that the work was substantially incomplete and Victory Gospel's May 2012 bank statement indicated an available balance of only \$1,170.
- As of July 2012, Victory Gospel still had not provided any documentation to support the work described in the project worksheets and the work was substantially incomplete.
- In August 2012, FEMA de-obligated all of Victory Gospel's project worksheets.



Victory Gospel Chapel Ministries Building B (picture taken on May 21, 2012)

FINDINGS AND RECOMMENDATIONS

Ineligible Funding

Although FEMA determined that Victory Gospel was not eligible to receive any Public Assistance funding for damages caused by Hurricane Katrina and upheld that decision through its appeals process, FEMA still provided funding for eight projects.

Prior to and at the time of Hurricane Katrina, Victory Gospel provided rehabilitation services to individuals who were recovering from substance abuse. To provide those services, Victory Gospel entered into a lease/purchase agreement with M and V, LLC for the nine buildings located at 7931 Chef Menteur Highway. That agreement indicates in one part that M and V is responsible for repairs and in another part that Victory Gospel is responsible for repairs. However, M and V is listed as the insured party on an insurance policy that was in effect at the time of Hurricane Katrina and covered this property.

During October 2007 through June 2011, FEMA wrote and obligated 22 small¹ project worksheets for Victory Gospel for content replacement, fencing replacement, and building repairs. Sixteen of those project worksheets did not obligate any federal funding. Though they did not obligate any federal funding, FEMA wrote the project worksheets to preserve Victory Gospel's right to appeal. The remaining six project worksheets provided Victory Gospel \$115,585 (\$112,871 for direct project costs and \$2,714 for administrative costs) in Public Assistance funding.

Sometime after writing the 22 project worksheets, FEMA determined that Victory Gospel was not eligible to receive Public Assistance funding because they were not responsible for repairing the damage. Victory Gospel appealed FEMA's decision. FEMA denied the appeal on March 14, 2007, again indicating that Victory Gospel was not responsible for repairing the damage. FEMA did not de-obligate any of the project worksheets even though the appeal decision did not support Victory Gospel.

Subsequent to the appeal, Victory Gospel provided FEMA an addendum to the lease-purchase agreement that indicated they were responsible for maintenance and repairs of all nine buildings on the property. Although FEMA's appeal decision was that Victory Gospel was not eligible to receive Public Assistance funding, based on the new documentation, FEMA decided to not de-obligate any of the project worksheets that had already been written. FEMA also decided that two project worksheets for content replacement and fence replacement that did not contain any federal obligation and were included in the appeal should have provided federal funding. FEMA prepared versions for those two project worksheets that provided Victory Gospel an additional \$86,316 (\$84,091 for direct project costs and \$2,225 for administrative costs) of Public Assistance funding.

¹ 44 CFR 206.203(c)(2) Projects caused by hurricanes Katrina and Rita that FEMA estimates will cost less than \$55,500 to complete.

GOHSEP, in accordance with federal regulations,² paid Victory Gospel a total of \$201,901 (\$196,962 for direct project costs and \$4,939 for administrative costs) in Public Assistance funding that FEMA made available through eight of the 22 project worksheets. However, we could not find any official documentation from FEMA to override the appeal decision which indicated Victory Gospel was not eligible to receive Public Assistance funding. After we requested the supporting documentation from FEMA, FEMA reevaluated the issue and decided that Victory Gospel is not eligible and should not have received any Public Assistance funding. Therefore, Victory Gospel should return the \$201,901 it received.

Unsupported Expenditures

Victory Gospel represented that it expended most of the \$201,901 (\$196,962 for direct project costs and \$4,939 for administrative costs) in FEMA Public Assistance funds for content replacement, fence replacement, and building repairs. As of July 2012, Victory Gospel had not provided any documentation to support the work described in the project worksheets and the work was substantially incomplete. Victory Gospel's May 2012 bank statement indicates an available balance of only \$1,170.

In August 2011, GOHSEP performed a site inspection to verify that Victory Gospel purchased replacement contents for its buildings. The site inspection report indicated that none of the replacement contents were in any of the buildings located at 7931 Chef Menteur Highway. The report also indicated that Mr. Gary Harry, Pastor, stated that four poorly maintained items at Victory Gospel's temporary facility on St. Claude Avenue in New Orleans, Louisiana were purchased with grant funds. However, Victory Gospel has not provided any documentation to support any of the purchases so it is not clear if those items were purchased with FEMA funds or provided by the owner of the temporary facility.

We (legislative auditors) inspected the property located at 7931 Chef Menteur Highway in May 2012 and determined that Victory Gospel had not completed any of the building repairs described in the project worksheets or purchased any replacement contents. We noted that all of the buildings on the property had been gutted and the debris had been removed from the property. We also noted that only the portion of chain-link fence running parallel to Chef Menteur Highway at



Building I on Victory Gospel property



Front fence on Victory Gospel property

² 44 CFR 206.205(a) Final payment of the Federal share of these projects will be made to the Grantee upon approval of the project worksheet. The Grantee will make payment of the Federal share to the sub-grantee as soon as practicable after Federal approval of the funding.

the front of the property had been replaced even though Victory Gospel received funding to replace the fence around the entire property.

As of July 2012, Victory Gospel had not provided any documentation to support the work described in the project worksheets and the work was still substantially incomplete. Also, according to the May 2012 bank statement, Victory Gospel has only \$1,170 of the Public Assistance funds left. Therefore, it appears Victory Gospel used most of the Public Assistance funds it was given for purposes not intended by the grant.

Pastor Harry stated that replacement contents were purchased but are now missing or were stolen from Victory Gospel's temporary facility. Pastor Harry also stated that some of the chain-link fencing he purchased to put around the property was stolen. Lastly, Pastor Harry stated that the repair work was not complete because Victory Gospel used the funds to maintain the property and FEMA did not provide adequate funding to complete the repairs.

When GOHSEP management became aware of the issues, GOHSEP took action to minimize the state's risk. GOHSEP management requested that we conduct a detailed analysis of all Victory Gospel's reimbursements and expenditures related to the Public Assistance program.

Recommendations

To minimize the state's risk in the future, GOHSEP management should:

- (1) provide Public Assistance program training to potential private nonprofit sub-grantees with a focus on program regulations and procurement; and
- (2) seek reimbursement of the \$201,901 of Public Assistance grant funding provided to Victory Gospel since FEMA has determined that Victory Gospel is not eligible to receive assistance and has de-obligated all of the funds.

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 Public Assistance program which is administered by FEMA. The rules and regulations governing the Public Assistance program are codified in Title 44 of the CFR.

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 nonprofit entities, and Indian Tribes.

Victory Gospel Chapel International Ministries (Victory Gospel) is a nonprofit organization located at 7931 Chef Menteur Highway in New Orleans, Louisiana. Victory Gospel's primary purpose is to provide rehabilitative services to individuals recovering from substance abuse. Pastor Gary L. Harry runs the rehabilitative program for Victory Gospel.

FEMA determined that Victory Gospel was eligible for Public Assistance funding because it is a nonprofit that provides a government service and sustained damage as a result of Hurricane Katrina. FEMA provided funding to Victory Gospel through eight of the 22 small project worksheets it prepared (see the following table).

PW Number	Scope of Work	Obligated Amount	Admin. Allowance	Amount Received	Date Received
12687	Replace Contents	\$54,302	\$1,629	\$55,931	10/07/07
14733	Replace Fence	29,789	596	30,385	06/08/11
14739	Repair Building E	0	0	0	N/A
14740	Repair Building H	0	0	0	N/A
14742	Repair Building D	0	0	0	N/A
14797	Repair Building G	0	0	0	N/A
14810	Repair Building J	0	0	0	N/A
14825	Repair Building B	0	0	0	N/A
14830	Repair Building K	0	0	0	N/A
14832	Repair Building F	0	0	0	N/A
14836	Repair Building C	0	0	0	N/A
14886	Repair Building I	0	0	0	N/A
17042	Repair Building F	17,598	528	18,126	05/09/08
17043	Repair Building E	0	0	0	N/A
17044	Repair Building B	41,871	1,118	42,989	05/09/08
17045	Repair Building G	0	0	0	N/A
17046	Repair Building J	6,735	135	6,870	05/09/08
17047	Repair Building H	0	0	0	N/A
17048	Repair Building K	15,455	309	15,764	05/09/08
17050	Repair Building I	21,620	432	22,052	05/09/08
17052	Repair Building C	9,592	192	9,784	05/09/08
17053	Repair Building D	0	0	0	N/A
Total		\$196,962	\$4,939	\$201,901	

Appendix A

Management's Responses



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

December 20, 2012

Mr. Daryl G. Pupera, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Post Office Box 94937
Baton Rouge, LA 70804-9397

Subject: Victory Gospel Chapel International Ministries

Dear Mr. Pupera:

At the request of The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), your office recently completed a compliance audit of certain project work sheets for one of our Federal Emergency Management Agency (FEMA) Public Assistance (PA) program sub-grantees, Victory Gospel Chapel International Ministries (Victory Gospel). It is our intent to take those recommendations provided in this report and use them to better assist us in our processes to monitor the recipients of FEMA PA funding.

The engagement was focused on twenty-two small project work sheets which were obligated by FEMA for Victory Gospel. This compliance audit was prompted by a GOHSEP Site Inspection which identified that work had not yet been completed by the sub-grantee on the facilities identified in the project work sheets, although funding had been awarded.

In total there were twenty-two small projects obligated for this sub-grantee by FEMA. Federal regulation instructs the State to provide the Federal share funding to the sub-grantee as soon as practicable after FEMA obligates the funds on small project work sheets. In accordance with this Federal regulation, funding was awarded to Victory Gospel upon obligation of the small project work sheets. Federal regulation also calls for the State to certify that the sub-grantee completes the work in compliance with all applicable laws, regulations, and policies. As such, a GOHSEP Site Inspection was performed, which further verified that work had not yet been completed on the facilities for which funding had been provided. This is now further confirmed by the photos and notes in your compliance audit.

Notwithstanding the incomplete work, and as an indirect result of your compliance audit, FEMA has subsequently determined that Victory Gospel is not the responsible party for

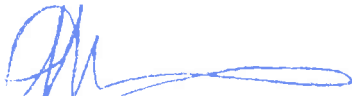
these projects and has de-obligated all 22 projects and funds in the amount of \$201,901 obligated in error. GOHSEP will seek immediate recoupment of these funds.

The following recommendations were made to minimize the State's risk in the future:

- GOHSEP management should provide PA program training to potential private nonprofit (PNP) sub-grantees with a focus on program regulations and procurement.
 - Response:
 - A procurement guide has been created by GOHSEP to better educate all sub-grantees on the Federal procurement requirements applied when purchasing goods and services with funds awarded by the FEMA PA program. The GOHSEP internal staff also attended procurement training to assist in providing education on the requirements for the PA program. GOHSEP applicants have access to State Applicant Liaisons (SAL) and Contract staff that provides technical assistance and programmatic guidance.
 - GOHSEP has not previously focused specifically on targeting private nonprofit sub-grantees for education and training, but we agree with your recommendation that training developed for a target audience of PNPs would be beneficial and worthwhile and intend to concentrate our outreach efforts toward that end result.
- Seek reimbursement of the \$201,901 of Public Assistance grant funding provided to Victory Gospel since FEMA has determined that Victory Gospel is not eligible to receive assistance and has de-obligated all of the funds.
 - GOHSEP is taking immediate steps to recoup all funds dispersed to this applicant that are in question. Through GOHSEP's Compliance Assurance Program (CAP), the sub-grantee will begin receiving notifications for recoupment of funds, and corrective actions will be taken.

GOHSEP anticipated some of the concerns raised in the report. As noted above, GOHSEP engaged your office to conduct a detailed review of Victory Gospel's project work sheets once we became aware of their incomplete projects. We will continue to use the recommendations in your report to make further management decisions in our efforts to minimize the risk to the State.

Sincerely,



Mark DeBosier
State Coordinating Officer

MD:cc:pw

Victory Gospel Response To:

FEMA Report on PW awarded to Victory Gospel International Min.

Victory Gospel is a non profit Organization.

Church and Restoration program. We house Men and Women bound by drugs and homeless Families. Feeding, and providing all of their clothing, transportation, toiletries etc.

In Response to FEMA Report. Victory Gospel was legally responsible for all damages cause by the hurricane.

Victory Gospel turned in every document that was asked to be turned I n.

Victory Gospel completed all applications correctly

When FEMA released the funds for the PW's all checks were sent to the wrong non-profit and it took months to only get some of the money back.

1. for contents we received
2. Six for building
3. One for fierce

Victory Gospel was told to open a temp facility to house people in that FEMA would reimburse Victory. We brought contents for the temp facility and began to house man and women for a year and a half.

The neighbors did not want Victory there anymore so we were forced to move with no other place to stay, so we closed that part.

We also used the funds for the six PW's to gut out all thirteen buildings cut down seven huge tree and removed all debris from the hurricane and the house.

After all the work was done GOSAP decided to stop the project because we did not have enough money to finish we started looking at a different project to build one large facility the project never took off. (At this time still have not receive money from the other non-Profit) They refuse to give it to our Ministry.

We were told by GOSAP Leader to use the money to keep the land up by cutting grass and keeping weeds from off the house we did this for two years while we were waiting for FEMA to release the rest of the money. Property is one block long.

We lost a lot of all content of temporary facility and fencing by theft.

Gary Harry