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STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Youth Outreach Coalition
Coushatta, Louisiana

July 18, 1996



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

Louisiana Youth Outreach Coalition

July 18, 1996



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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July 18, 1996

MR. KEVIN CUNNINGHAM
GOVERNOR'S OFFICE OF URBAN AFFAIRS
AND DEVELOPMENT
Baton Rouge, Louisiana

Transmitted herewith is our investigative report on the Louisiana Youth Outreach Coalition (LAYORC). Our investigation was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations, as well as the response of LAYORC's management. Copies of this report have been delivered to The Honorable William R. Jones, District Attorney for the Thirty-Ninth Judicial District of Louisiana, and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

AFB:ka/dl

[L.YORC]

Executive Summary

Investigative Audit Report Louisiana Youth Outreach Coalition

The following summarizes the findings that resulted from the investigation of the Louisiana Youth Outreach Coalition (LAYORC). Detailed information relating to the findings and recommendations may be found at the page number indicated. Management's response may be found as Attachment I.

Grant Funds Used for Building Materials and Construction Labor

(Page 1)

During the period March 1, 1995, through December 10, 1995, Mr. Johnny Cox and Mr. Jerome Cox used \$18,892 of the state grant funds to purchase building materials and pay for construction labor. Of this amount, \$5,357 was spent for building materials and labor used on private property owned by Mr. Johnny Cox. Mr. Johnny Cox and Mr. Jerome Cox have not provided nor have we been able to determine the relationship to the grant of the remaining \$13,535 spent on building materials and labor. In addition, some of these expenditures were made after LAYORC had ceased providing tutoring services to children.

Ms. Linda Cox Was Paid a Salary for Services She Does Not Appear to Have Performed

(Page 3)

Mr. Jerome Cox used \$34,222 of grant funds to pay his wife, Ms. Linda Cox, a salary for services as administrative director and coordinator of planning and public relations for LAYORC. Mr. Jerome Cox has refused to comment on the work performed by his wife and has refused to allow us to speak with his wife. We found no evidence that Ms. Cox provided the services for which she was paid.

**Rent Paid During Months Tutoring Program
Was Not Operating****(Page 4)**

Mr. Johnny Cox and Mr. Jerome Cox used \$21,000 in grant funds to rent space for LAYORC's tutoring program. Rental payments were made for twelve months to the Will of God Ministries Church although tutoring services were held for only five months. Furthermore, rents paid appear to have been in excess of the fair market value.

**Grant Funds Used to Pay Utility Bills
for Private Property****(Page 5)**

During the period January 1995 through December 1995, Mr. Jerome Cox and Mr. Johnny Cox used state grant funds to pay \$1,216 in electric charges, \$1,046 in telephone charges, \$128 in gas bills, and \$115 in water bills. A major portion of the aforementioned expenses were unrelated to the purpose of the grant.

**Grant Funds Used for Purchases for the
Will of God Ministries Church****(Page 6)**

Mr. Jerome Cox used \$3,255 to purchase and modify two vans. One was purchased one month before the end of the tutoring services. The second van was purchased after the tutoring services ended. In addition, the vans were used by the Will of God Ministries.

Mr. Johnny Cox and Mr. Jerome Cox used \$800 in state grant funds to purchase printed materials for the Will of God Ministries Church.

Mr. Johnny Cox and Mr. Jerome Cox used \$2,646 of state grant funds to purchase a musical synthesizer for religious services at the Will of God Ministries Church.

Grant Funds Used for a Church Trip**(Page 8)**

Mr. Jerome Cox received a \$2,500 check from LAYORC; \$1,213 was spent on a trip to Eureka Springs, Arkansas, visiting religious sites. The expenditure of the remaining \$1,287 is undocumented.

**Grant Funds Used to Purchase Tires
and Paint Vehicles****(Page 9)**

Mr. Johnny Cox and Mr. Jerome Cox used \$1,766 of state grant funds to purchase tires for three privately owned vehicles.

Mr. Jerome Cox and Mr. Johnny Cox used \$2,195 in state grant funds to pay for the painting of six vehicles not owned by LAYORC.

Grant Funds Used to Purchase Tools**(Page 10)**

Mr. Jerome Cox used \$1,219 of state funds to purchase an air compressor, a generator, a pressure washer, and two extended warranty service contracts.

Background and Methodology

The Louisiana Youth Outreach Coalition (LAYORC) was organized as a non-profit corporation in 1990 with Mr. Jerome Cox as president and Mr. Johnny Cox as vice president. During 1995 and 1996, LAYORC received grants from the Governor's Office of Urban Affairs and Development.

Mr. Johnny Cox is also the pastor of the Will of God Ministries Church, a non-denominational church incorporated in 1990. Mr. Jerome Cox is the assistant pastor and evangelist at this church.

LAYORC received two Legislative Enrichment Program grants from the Governor's Office of Urban Affairs and Development during 1995 and 1996 that totaled \$199,288. The applications for funds for both fiscal years, signed by Mr. Jerome Cox and Mr. Johnny Cox, state that the grant funds will be used for tutorial services to students in grades 1 through 12 in the areas of reading, math, science, language, and computer skills. The cooperative endeavor agreements state that these grant funds are to be used only for purposes specified in the contractor's application. Further, the cooperative endeavor agreements noted above provide that "upon completion of this agreement . . . all . . . funds or any other material related to this contract shall become the property of the state."

In January 1996, the Office of Legislative Auditor received a copy of LAYORC's compilation report dated July 31, 1995, prepared by Johnson, Thomas, and Cunningham, CPAs. The report cited various related party transactions. In addition, we received an allegation indicating that grant funds were used for purposes other than those specified in the grant contract.

We conducted our investigation to determine whether the management of LAYORC had complied with all grant specifications in the administration of the tutorial program. In addition, we addressed other issues that came to our attention during our investigation.

Our procedures consisted of (1) interviewing certain current and prior officials, employees, and contractors of LAYORC; (2) examining documents related to the tutorial program; (3) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (4) reviewing applicable Louisiana laws.

The results of our investigation are the findings and recommendations presented herein.

Findings and Recommendations

The findings and recommendations that follow contain abbreviated references to Louisiana Revised Statutes (LSA-R.S.). These statutes are explained in detail in the Legal Provisions section of this report (Attachment II).

The Louisiana Youth Outreach Coalition (LAYORC) entered into two cooperative endeavor agreements with the Governor's Office of Urban Affairs and Development in fiscal years 1995 and 1996. The cooperative endeavors specify that the funds received were to be used for tutoring children in grades 1 through 12 in the areas of reading, math, science, language, and computer skills. The cooperative endeavors also state that "upon completion of this agreement . . . all . . . funds or any other material related to this contract shall become the property of the state." Our investigation revealed that Mr. Johnny Cox and Mr. Jerome Cox used the state funds for purposes not related to tutoring children as follows:

GRANT FUNDS USED FOR BUILDING MATERIALS AND CONSTRUCTION LABOR

During the period March 1, 1995, through December 10, 1995, Mr. Johnny Cox and Mr. Jerome Cox used \$18,892 of the state grant funds to purchase building materials and pay for construction labor. Of this amount, \$5,357 was spent for building materials and labor used on private property owned by Mr. Johnny Cox. Mr. Johnny Cox and Mr. Jerome Cox have not provided nor have we been able to determine the relationship to the grant of the remaining \$13,535 spent on building materials and labor. In addition, some of these expenditures were made after LAYORC had ceased providing tutoring services to children.

The disbursement of \$18,892 of state grant funds were made to the following vendors:

CBS Home Express	\$4,102	
Mr. J. W. Moore	1,095	
Clift Construction	160	
Subtotal	<u>5,357</u>	<u>\$5,357</u>

Home Depot	\$8,824	
Custom-Bilt Cabinets	671	
Mr. Mathew Douglas	1,295	
Mr. Bobby Mays	1,200	
Mr. Alfred Weaterford	550	
Mr. Billy Ingram	545	
Alton Shaver Sales	450	
Subtotal		<u>\$13,535</u>
Grand Total		<u><u>\$18,892</u></u>

Payments totaling \$5,357 were made to CBS Home Express, Mr. J. W. Moore, and Clift Construction for work performed on properties owned by Mr. Johnny Cox.

CBS Home Express, a supplier of building materials, was paid \$4,102 from state grant funds for building materials. Upon reviewing invoices, Mr. Randy Walker, manager of CBS Home Express, provided a written statement indicating that the materials purchased were used either to renovate a house at 715 East Carroll Street or a garage at 1429 Highway 71 South. These properties are owned by Mr. Johnny Cox. According to Mr. Walker, he and Mr. Cox discussed the intended use of the materials in the East Carroll Street house and the garage. Mr. Walker further informed us that none of the materials were used on the LAYORC office. Mr. Ben Bryant, owner of a business located next door to LAYORC, agreed that no renovations or new construction occurred at the site of the LAYORC office during the period these purchases were made.

Mr. J. W. Moore, an independent contractor, informed us that he installed septic tanks at both the Will of God Ministries Church and the garage at 1429 Highway 71 South. Mr. Moore also informed us that he spread gravel in the church parking lot before the concrete was poured. According to property records, the church property is owned by Mr. Johnny Cox. Mr. Moore identified three LAYORC checks totaling \$1,095 as the compensation he received for these services.

Clift Construction received \$160 for dozer work at the Will of God Ministries Church. Mr. Tim Clift, owner of Clift Construction, was paid with a check from the LAYORC account dated March 9, 1995.

In addition, \$13,535 of grant funds were paid to Home Depot, Custom-Bilt Cabinets, and various other contractors and vendors. Neither Mr. Johnny Cox nor Mr. Jerome Cox has explained the purpose of these expenditures and we have been unable to determine where these materials and services were used or their relationship to tutoring children.

LAYORC funds amounting to \$8,824 were paid to Home Depot for various building supplies such as fencing, drywall, paint, and supplies.

Custom-Bilt Cabinets, a custom manufacturer of doors and cabinets, was paid \$671 for three doors that were delivered to the Will of God Ministries Church. We are uncertain as to where these doors were installed.

LAYORC records also indicate that \$4,040 of the grant funds were used to pay various contractors and vendors for carpentry, painting, and lumber.

In addition, many of these expenditures for materials and labor were made after LAYORC had ceased providing tutoring services to students. We were informed by Ms. Diedra Donivan, former tutoring coordinator for LAYORC, that the tutoring session ended in early May 1995. However, \$10,517 of the \$18,892 was spent on building materials and labor with checks dated after May 1995.

MS. LINDA COX WAS PAID A SALARY FOR SERVICES SHE DOES NOT APPEAR TO HAVE PERFORMED

Mr. Jerome Cox used \$34,222 of grant funds to pay his wife, Ms. Linda Cox, a salary for services as administrative director and coordinator of planning and public relations for LAYORC. Mr. Jerome Cox has refused to comment on the work performed by his wife and has refused to allow us to speak with his wife. We found no evidence that Ms. Cox provided the services for which she was paid.

During the period November 1994 through September 1995, Ms. Linda Cox was paid a monthly salary of \$3,111 to perform the services of administrative director and coordinator of planning and public relations for LAYORC. When questioned about his wife's duties, Mr. Jerome Cox informed us that his wife prepared LAYORC's books. Mr. Jerome Cox had previously informed us that Ms. Stephanie Sanders prepared LAYORC's books. Ms. Stephanie Sanders also informed us that she prepared LAYORC's financial records. In addition, while our review of LAYORC's records revealed work performed by other LAYORC employees, we found no evidence that Ms. Cox did any work with LAYORC's books.

During our investigation, we attempted to confirm that Ms. Cox actually performed the services described in her job title. We reasoned that an employee paid to perform as a public relations officer for a tutoring service should have had contact with the superintendent of the Red River Parish School Board and the principals and assistant principals of Red River Parish schools. Mr. Wyly Cole, superintendent of the Red River Parish School Board, stated that he has not been in contact with anyone associated with LAYORC. Ms. Susan Taylor, principal of Coushatta Elementary School, stated that she did not remember having contact with anyone from LAYORC. Mr. Luther Myers, principal at Springville Middle School, was not aware

that Ms. Linda Cox was the public relations officer for LAYORC. Ms. Evelyn Williams, assistant principal at Coushatta High School, stated that she did not remember Ms. Linda Cox doing any public relations work for LAYORC.

Ms. Diedra Donivan, former tutoring coordinator for LAYORC, stated that, to the best of her knowledge, Ms. Cox tutored only occasionally for LAYORC. According to Northwestern State University records, Ms. Cox was a full-time nursing student during the period she was paid by LAYORC.

We asked Mr. Jerome Cox what hours were worked and what duties were performed by Ms. Cox for the salary she received; however, Mr. Cox refused to comment. We requested that Mr. Cox arrange a meeting between our representatives and Ms. Cox. Mr. Cox stated that we could not speak with his wife.

RENT PAID DURING MONTHS TUTORING PROGRAM WAS NOT OPERATING

Mr. Johnny Cox and Mr. Jerome Cox used \$21,000 in grant funds to rent space for LAYORC's tutoring program. Rental payments were made for twelve months to the Will of God Ministries Church although tutoring services were held for only five months. Furthermore, rents paid appear to have been in excess of the fair market value.

During the period November 1994 through December 1995, Mr. Johnny Cox and Mr. Jerome Cox paid \$21,000 to the Will of God Ministries. According to Mr. Jerome Cox, these payments were for rental space in three buildings. The three buildings rented were the Will of God Ministries Church sanctuary, a small building adjacent to the left of the church sanctuary, and a small building used as an office for LAYORC, the Will of God Ministries Church, and Tower Tax Service. According to property records, the church property is owned by Mr. Johnny Cox.

All twelve rent checks were signed by Mr. Jerome Cox and endorsed by Mr. Johnny Cox. Although we requested a copy of the rental agreement, it has not been provided to us as of the date of this report.

While the payments were made over a 12-month period, LAYORC's tutoring efforts lasted only five months. Ms. Diedra Donivan, former tutoring coordinator for LAYORC, told us that the tutoring session for 1995 lasted from January to the end of the regular school session in the first part of May. Ms. Mikki Grant, an employee of LAYORC, substantiated the time frame given by Ms. Donivan. Thus, it appears that LAYORC used the facilities for tutoring for less than five months while rent was paid for 12 months. Further, Ms. Donivan stated that the tutoring sessions lasted only one and one-half hours each school day.

In addition, the rental payments appear to have been greater than the fair market value of the buildings. A real estate agent in Coushatta told us that a generous rental value for the three buildings in question is approximately \$1,250 per month. However, payments by LAYORC averaged \$1,750 per month.

Furthermore, the tutoring service was not the exclusive use of the building during this period. The church sanctuary was used for regular church services held each Sunday and Tuesday. The office building was also used as the church office and a tax preparation office, "Tower Tax Service."

It appears that state grant funds were used to pay rent on buildings during months which they were not used by LAYORC students. In addition, the buildings were used by LAYORC students on school days for only one and one-half hours per day. Furthermore, rental payments were in excess of the fair market rental values of the properties rented.

GRANT FUNDS USED TO PAY UTILITY BILLS FOR PRIVATE PROPERTY

During the period January 1995 through December 1995, Mr. Jerome Cox and Mr. Johnny Cox used state grant funds to pay \$1,216 in electric charges, \$1,046 in telephone charges, \$128 in gas bills, and \$115 in water bills. A major portion of the aforementioned expenses were unrelated to the purpose of the grant.

An examination of LAYORC's records indicated that grant funds were used to pay the electric, telephone, gas, and water bills for the Will of God Ministries Church and a garage owned by Mr. Johnny Cox. Specifically, Mr. Johnny Cox and Mr. Jerome Cox used \$2,433 to pay utility charges for the Will of God Ministries Church and \$72 for the garage. Property records indicate that these properties are owned by Mr. Johnny Cox.

Mr. Johnny Cox and Mr. Jerome Cox explained to us that grant funds were used to pay the Will of God Ministries Church utility bills because children were tutored there. Our review of LAYORC's records and discussions with employees and officers revealed that the tutoring program was in operation for only one and one-half hours each school day from January through May 1995. However, utility bills were paid in their entirety with grant funds from January through December 1995. Both men agreed that the utility bills included charges incurred for church related activities. They also agreed that they would like to establish a percentage of use by LAYORC and reimburse the state for the utility charges paid by LAYORC for non-grant purposes.

The garage is currently being used as a hair salon and storage facility for a 1955 Chevrolet that is registered to Mr. Jerome Cox. The garage does not appear to have been used for any purpose related to the grant. We were informed by Mr. Jerome Cox and Mr. Johnny Cox that they planned to use it for the tax service and the tutoring program in the future.

**GRANT FUNDS USED FOR PURCHASES FOR
THE WILL OF GOD MINISTRIES CHURCH**

Grant funds were used to buy two vans, offering envelopes, business cards, and a musical synthesizer for the Will of God Ministries.

TWO VANS PURCHASED FOR A TOTAL OF \$3,255

Mr. Jerome Cox used \$3,255 to purchase and modify two vans. One was purchased one month before the end of the tutoring services. The second van was purchased after the tutoring services ended. In addition, the vans were used by the Will of God Ministries.

Mr. Jerome Cox signed a check dated April 21, 1995, for \$1,300 payable to Shiloh Baptist Church for the purchase of a van. On July 15, 1995, Mr. Jerome Cox signed a check for \$1,400 payable to Mr. Tonie L. Cox, a brother of Mr. Jerome Cox, for the purchase of a second van. Another check was signed by Mr. Jerome Cox for \$555 dated July 19, 1995, for the installation of a stereo sound system in the van purchased from his brother. We asked if the vans were ever used to transport students. Both Mr. Johnny Cox and Mr. Jerome Cox agreed that the vans had been used for that purpose. We reminded the two men that they discontinued the tutoring program in early May 1995. We also reminded them that the first van was purchased in late April and the second van was purchased in July. They responded by saying that the vans were purchased for the future of the program. We asked if the vans were used for the Will of God Ministries Church. Mr. Johnny Cox stated that they "try not to use the vans for church purposes." He further asked, "How do you separate LAYORC from the church?"

We asked former LAYORC tutoring coordinator, Ms. Diedra Donivan, if the vans were ever used for tutoring purposes. She answered that the vans were never used by LAYORC, but the Will of God Ministries Church had used the vans. Mr. Ben Bryant, a business owner next door to LAYORC, stated that he had seen the vans used to transport people to and from church, but that he had not seen the vans used for transporting children to or from tutoring services.

Our investigation also determined that one of the vans was used for a Will of God Ministries Church trip to the Passion Play in Eureka Springs, Arkansas. (Subject of another finding)

PRINTED MATERIALS PURCHASED FOR CHURCH

Mr. Johnny Cox and Mr. Jerome Cox used \$800 in state grant funds to purchase printed materials for the Will of God Ministries Church.

On March 30, 1995, the Will of God Ministries Church placed an order totaling \$758 for offering envelopes, business cards, and miscellaneous items from Impressions by Dunagan. Ms. Dunagan said that she called Mr. Cox several times requesting payment of these invoiced items. Mr. Cox then came into the store and gave her a LAYORC check dated July 26, 1995, for \$800. The LAYORC account on which the check was drawn was completely funded by state grants. We asked Ms. Dunagan why the check was for \$800 in payment of an invoice for \$758. She said that she assumed that it was Mr. Cox's way of making up for being past due with his remittance.

On March 12, 1995, we asked Mr. Johnny Cox about the purchase described above. He told us that this expenditure was his mistake. Mr. Cox stated that when he paid for this material, he did not realize that it was for the church. We examined Dunagan's sales records during this period and found that no other purchase was made by either the Will of God Ministries Church or LAYORC. Mr. Johnny Cox agreed that the printed materials were completely religious in nature. He also stated that Mr. Jerome Cox had written an affidavit stating that they would pay the money back if they had to. Mr. Jerome Cox confirmed Mr. Johnny Cox's statement. We asked for a copy of the affidavit but have not received it as of the date of this report.

MUSICAL SYNTHESIZER PURCHASED FOR CHURCH

Mr. Johnny Cox and Mr. Jerome Cox used \$2,646 of state grant funds to purchase a musical synthesizer for religious services at the Will of God Ministries Church.

Mr. Jerome Cox signed a check for \$2,646 dated June 26, 1995, drawn on a LAYORC account and payable to Shreveport Music. We were unable to find an invoice documenting this expenditure in LAYORC files. We spoke with Mr. Sam Denton of Shreveport Music who told us that he sold the musical synthesizer (keyboard) to Mr. Johnny Cox. Mr. Denton further told us that the keyboard was delivered to the Will of God Ministries Church and connected to the church's sound system.

We asked Mr. Johnny Cox and Mr. Jerome Cox to show us the keyboard purchased with LAYORC funds. The keyboard was located in the Will of God Ministries Church building. We asked both men about the use of the keyboard and they told us that it was used to teach students computer skills. We asked if the keyboard was used in church services also. At first, both men replied that the keyboard was used only for tutoring purposes. We asked them if members of their congregation would verify that the keyboard was not used for church services. At this point, both men admitted that the keyboard was used to provide music in their church services.

The grant agreements signed by both Mr. Johnny Cox and Mr. Jerome Cox state that tutoring will be provided to students in the areas of reading, math, science, language, and computer skills. The keyboard purchased with grant funds is a computerized keyboard. However, the skills learned from the use of this equipment could not be described as computer skills.

GRANT FUNDS USED FOR A CHURCH TRIP

Mr. Jerome Cox received a \$2,500 check from LAYORC; \$1,213 was spent on a trip to Eureka Springs, Arkansas, visiting religious sites. The expenditure of the remaining \$1,287 is undocumented.

Our examination of LAYORC records revealed that a check was written to Mr. Jerome Cox for \$2,500 on July 20, 1995, and cashed by him that same day. The notation on the remittance advice to the check describes its purpose as "staff trip and supplies." Upon further examination of LAYORC records, we found attached to the expense request \$1,213 in receipts for lodging, meals, gasoline, and miscellaneous expenses for a trip to Eureka Springs, Arkansas. We found no documentation for the remaining \$1,287. We found an itinerary describing the trip as a "Will of God Ministries, 1995 Eureka Springs Passion Play Trip/Fellowship." The itinerary shows that the trip commenced on July 20, 1995, the same day the check was cashed. We further found a narrative description of the trip titled "Louisiana Youth Outreach Coalition Staff Trip." It states that six LAYORC staff members ". . . took a trip to observe and obtain ideas for the enhancement of our youth program." The narrative further states that the trip was made in the youth van. (This van was purchased with state grant funds by LAYORC from Mr. Tonie Cox.) (Subject of another finding)

We asked Mr. Jerome Cox about the \$2,500 check cashed by him. He told us that the check was a reimbursement for his mileage for travel to and from Baton Rouge dealing with matters related to the grant. Mr. Cox said that the reimbursement represented mileage at 24 cents per mile and did not include meals or lodging. The map mileage for a round trip between Baton Rouge and Coushatta is 386 miles, which, at 24 cents per mile, equals \$93. Therefore, Mr. Cox would have received a reimbursement for at least 26 round trips to Baton Rouge. We found no documentation or other evidence to support Mr. Cox's statement. Mr. Cox refused to comment further on this matter.

We spoke with Mr. Chester Jones, former executive assistant, and Mr. Chris Collins, deputy director of the Governor's Office of Urban Affairs and Development. Mr. Jones said that he could not remember ever meeting with Mr. Johnny Cox or Mr. Jerome Cox in Baton Rouge. Mr. Collins said that he met with Mr. Johnny Cox or Mr. Jerome Cox in Baton Rouge on only two occasions.

**GRANT FUNDS USED TO PURCHASE
TIRES AND PAINT VEHICLES****TIRES**

Mr. Johnny Cox and Mr. Jerome Cox used \$1,766 of state grant funds to purchase tires for three privately owned vehicles.

Mr. Jerome Cox signed a LAYORC check for \$1,766 on March 23, 1995, for the purchase of 14 tires for three vehicles: a 1955 Chevrolet owned by Mr. Jerome Cox; a 1956 Buick owned by Mr. Johnny Cox; and a 1971 Ford bus in the possession of Mr. Johnny Cox and Mr. Jerome Cox. Mr. Johnny Cox said that the company who sold him the tires made a mistake in the manner in which they applied the LAYORC payment. He then added that he had put the money that was spent on his personal vehicles back into the LAYORC account. We asked if we could trace this repayment to the deposits into the LAYORC bank account. Mr. Johnny Cox stated that the money had not actually been deposited into the account as of March 12, 1996, approximately one year later. Mr. Johnny Cox then explained that they had written an affidavit stating that they would pay the money back. He further explained that this affidavit was completed so that they would have some documentation to present if they were ever audited. When we asked to see the affidavits, they responded by saying that they did not have the documents at the LAYORC office, but that they would mail them to us. As of the date of this report, the affidavits have not been provided to us.

Mr. Robert C. Meredith, owner of Meredith Tire & Auto Care, provided a written statement that Mr. Johnny Cox appeared at his place of business to purchase 14 tires for three vehicles. The invoice and the check are both dated March 23, 1995, indicating that the sale and payment occurred on the same day.

AUTOMOTIVE PAINTING

Mr. Jerome Cox and Mr. Johnny Cox used \$2,195 in state grant funds to pay for the painting of six vehicles not owned by LAYORC.

Two LAYORC checks payable to Robert Cruse Body Shop were signed by Mr. Jerome Cox. The first check was dated March 1, 1995, for \$1,200 and the second check was dated April 28, 1995, for \$995. We asked Mr. Cruse what work he had performed for these payments. In a written statement, Mr. Cruse stated that he painted two Mercedes, a 1955 Chevrolet, a bus belonging to the Will of God Ministries Church, a Chevrolet van, and a Buick Roadmaster. Mr. Cruse also identified these vehicles in pictures shown to him.

We reviewed motor vehicle records of the vehicles and determined that a 1956 Buick and a 1977 Mercedes are registered to Mr. Johnny Cox, and a 1955 Chevrolet is registered to Mr. Jerome Cox. We were unable to find the ownership of the other vehicles described by Mr. Cruse. However, we observed a black Mercedes parked at a house owned by Mr. Johnny

Cox. In addition, Mr. Johnny Cox and Mr. Jerome Cox confirmed to us that Mr. Cruse painted one of the Chevrolet vans purchased with the grant. (Subject of another finding)

Both Mr. Johnny Cox and Mr. Jerome Cox agreed that Mr. Cruse painted the vehicles described above. However, Mr. Johnny Cox told us that he paid Mr. Cruse with a personal check for the work Mr. Cruse did on his personally owned vehicles. Mr. Jerome Cox made no statement. We asked for copies of any personal checks documenting payments to Mr. Cruse. No such documentation has been made available to us as of the date of this report.

GRANT FUNDS USED TO PURCHASE TOOLS

Mr. Jerome Cox used \$1,219 of state grant funds to purchase an air compressor, a generator, a pressure washer, and two extended warranty service contracts.

Mr. Jerome Cox signed a LAYORC check dated April 17, 1995, for \$1,219 payable to Sears for the purchase of an air compressor, a generator, a pressure washer, and two extended warranties. We asked Mr. Johnny Cox and Mr. Jerome Cox what grant purpose was served by the purchase of these tools. Both agreed that they planned to teach the students how to use the tools to be more productive in society. Further, they told us that the pressure washer was used to wash down the parking lot after parents picked their children up from the day's tutoring activities. They said that the air compressor was used to operate the pressure washer. They also stated that the generator was used to provide electricity for carnivals that they held for the children at the completion of the tutoring sessions. They explained that these carnivals were held in the church parking lot. We noted that electrical service is readily available at this location.

We spoke with Ms. Diedra Donovan, former tutoring coordinator for LAYORC, who told us that she did not remember seeing anyone teaching the students how to use tools. She said that the children only watched the workers as they built the church.

Mr. Bill Donovan, Ms. Diedra Donovan's husband, told us that he worked as a volunteer doing construction work at the Will of God Ministries Church, the classroom building next to the church, and a house owned by Mr. Johnny Cox at 715 East Carroll Street. Mr. Donovan added that the LAYORC children helped them carry boards and other construction materials. Mr. Donovan also said that he remembered seeing a pressure washer at the Will of God Ministries Church. Mr. Donovan told us that the only purpose for which he had seen the pressure washer used was to wash cars belonging to Mr. Jerome Cox or Mr. Johnny Cox. Mr. Donovan added that he remembered using an air compressor when painting and texturing ceilings for either Mr. Johnny Cox or Mr. Jerome Cox.

A two-story white house at 715 East Carroll Street owned by Mr. Johnny Cox was renovated during the summer of 1995. Mr. Robert McHenry, a local contractor, told us that he worked on the white house during this period. He told us that there was no electricity at this location

and that he used a power generator most of that summer to provide electricity for his circular saw. Mr. McHenry said that the generator he used was a new, red generator owned by Mr. Johnny Cox or Mr. Jerome Cox. The generator described by Mr. McHenry appears similar to the generator purchased with grant funds.

Recommendation

As stated previously in this report, the cooperative endeavor agreements entered into by the Governor's Office of Urban Affairs and Development and LAYORC is specific as to how the funds may be expended. It states that "these funds are to be used only for the purposes stated in the contractor's application." LAYORC's application provided that the purpose of the funds was to provide tutorial services to students in grades 1 through 12 in the areas of reading, math, science, language, and computer skills. The expenditures described in the preceding findings, which total \$91,000, were made for purposes that may not relate to those specified by the cooperative endeavor agreements. By using funds intended for providing tutoring services to local children for purposes other than those specified by the applications, Mr. Johnny Cox and Mr. Jerome Cox may have violated one or more of the following Louisiana laws:

- . LSA-R.S. 14:26, "Criminal Conspiracy"
- . LSA-R.S. 14:67, "Theft"
- . LSA-R.S. 14:68, "Unauthorized Use of a Movable"

We recommend that the Governor's Office of Urban Affairs and Development seek reimbursement for all funds spent for purposes not permitted by the grant. In addition, the Governor's Office of Urban Affairs and Development should seek legal advice in determining the ownership of the assets purchased by LAYORC with these grant funds. Furthermore, we recommend that the Governor's Office of Urban Affairs and Development improve its control over future grant programs by establishing specific, written guidelines as to the purposes for which grant funds may be expended and establishing a monitoring program designed to ensure compliance with the cooperative endeavor agreements and program objectives.

We further recommend that the District Attorney for the Thirty-Ninth Judicial District of Louisiana review this information and take appropriate legal action.

Attachment I

Management's Response



M. J. "MIKE" FOSTER, JR.
GOVERNOR

State of Louisiana

OFFICE OF THE GOVERNOR

Baton Rouge

70804-9004

POST OFFICE BOX 94004
(504) 342-7015

July 17, 1996

Mr. Daniel Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Kyle:

In reviewing your investigative audit report of the Louisiana Youth Outreach Coalition, the Office of Urban Affairs and Development will submit this information for review to the District Attorney of the Nineteenth Judicial District of Louisiana and the U.S. Attorney's Office to determine if legal action is appropriate. Urban Affairs and Development also intends to seek legal advice and remedies concerning reimbursement of funds spent for purposes not permitted by the grant and ownership of assets purchased by Louisiana Youth Outreach Coalition.

The Office of Urban Affairs and Development has established written guidelines to improve control over grant programs and is currently involved in the design of an improved monitoring program to ensure compliance with the cooperative endeavor agreement and program objectives. Enclosed is a copy of the current guidelines developed to improve control over grant programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Collins".

Chris Collins, Deputy Director
Urban Affairs and Development

Attachment II
Legal Provisions

Legal Provisions

The following legal citations are referred to in the Findings and Recommendations section of this report:

LSA-R.S. 14:26 provides that criminal conspiracy is the agreement or combination of two or more persons for the specific purpose of committing any crime; provided that an agreement or combination to commit a crime shall not amount to a criminal conspiracy unless, in addition to such agreement or combination, one or more of such parties does an act in furtherance of the object of the agreement or combination.

LSA-R.S. 14:67 provides that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

LSA-R.S. 14:68 provides that unauthorized use of a movable is the intentional taking or use of a movable which belongs to another, either without the other's consent, or by means of fraudulent conduct, practices, or representations, but without any intention to deprive the other of the movable permanently.

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Audit and Finance
Branch in writing

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Youth Outreach Coalition
Coushatta, Louisiana

July 18, 1996



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF INVESTIGATIVE AUDIT

Allen F. Brown, CPA, CFE

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

Louisiana Youth Outreach Coalition

July 18, 1996



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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LEGISLATIVE AUDITOR
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July 18, 1996

MR. KEVIN CUNNINGHAM
GOVERNOR'S OFFICE OF URBAN AFFAIRS
AND DEVELOPMENT
Baton Rouge, Louisiana

Transmitted herewith is our investigative report on the Louisiana Youth Outreach Coalition (LAYORC). Our investigation was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations, as well as the response of LAYORC's management. Copies of this report have been delivered to The Honorable William R. Jones, District Attorney for the Thirty-Ninth Judicial District of Louisiana, and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

AFB:ka/dl

[L.YORC]

Executive Summary

Investigative Audit Report Louisiana Youth Outreach Coalition

The following summarizes the findings that resulted from the investigation of the Louisiana Youth Outreach Coalition (LAYORC). Detailed information relating to the findings and recommendations may be found at the page number indicated. Management's response may be found as Attachment I.

Grant Funds Used for Building Materials and Construction Labor

(Page 1)

During the period March 1, 1995, through December 10, 1995, Mr. Johnny Cox and Mr. Jerome Cox used \$18,892 of the state grant funds to purchase building materials and pay for construction labor. Of this amount, \$5,357 was spent for building materials and labor used on private property owned by Mr. Johnny Cox. Mr. Johnny Cox and Mr. Jerome Cox have not provided nor have we been able to determine the relationship to the grant of the remaining \$13,535 spent on building materials and labor. In addition, some of these expenditures were made after LAYORC had ceased providing tutoring services to children.

Ms. Linda Cox Was Paid a Salary for Services She Does Not Appear to Have Performed

(Page 3)

Mr. Jerome Cox used \$34,222 of grant funds to pay his wife, Ms. Linda Cox, a salary for services as administrative director and coordinator of planning and public relations for LAYORC. Mr. Jerome Cox has refused to comment on the work performed by his wife and has refused to allow us to speak with his wife. We found no evidence that Ms. Cox provided the services for which she was paid.

**Rent Paid During Months Tutoring Program
Was Not Operating****(Page 4)**

Mr. Johnny Cox and Mr. Jerome Cox used \$21,000 in grant funds to rent space for LAYORC's tutoring program. Rental payments were made for twelve months to the Will of God Ministries Church although tutoring services were held for only five months. Furthermore, rents paid appear to have been in excess of the fair market value.

**Grant Funds Used to Pay Utility Bills
for Private Property****(Page 5)**

During the period January 1995 through December 1995, Mr. Jerome Cox and Mr. Johnny Cox used state grant funds to pay \$1,216 in electric charges, \$1,046 in telephone charges, \$128 in gas bills, and \$115 in water bills. A major portion of the aforementioned expenses were unrelated to the purpose of the grant.

**Grant Funds Used for Purchases for the
Will of God Ministries Church****(Page 6)**

Mr. Jerome Cox used \$3,255 to purchase and modify two vans. One was purchased one month before the end of the tutoring services. The second van was purchased after the tutoring services ended. In addition, the vans were used by the Will of God Ministries.

Mr. Johnny Cox and Mr. Jerome Cox used \$800 in state grant funds to purchase printed materials for the Will of God Ministries Church.

Mr. Johnny Cox and Mr. Jerome Cox used \$2,646 of state grant funds to purchase a musical synthesizer for religious services at the Will of God Ministries Church.

Grant Funds Used for a Church Trip**(Page 8)**

Mr. Jerome Cox received a \$2,500 check from LAYORC; \$1,213 was spent on a trip to Eureka Springs, Arkansas, visiting religious sites. The expenditure of the remaining \$1,287 is undocumented.

**Grant Funds Used to Purchase Tires
and Paint Vehicles****(Page 9)**

Mr. Johnny Cox and Mr. Jerome Cox used \$1,766 of state grant funds to purchase tires for three privately owned vehicles.

Mr. Jerome Cox and Mr. Johnny Cox used \$2,195 in state grant funds to pay for the painting of six vehicles not owned by LAYORC.

Grant Funds Used to Purchase Tools**(Page 10)**

Mr. Jerome Cox used \$1,219 of state funds to purchase an air compressor, a generator, a pressure washer, and two extended warranty service contracts.

Background and Methodology

The Louisiana Youth Outreach Coalition (LAYORC) was organized as a non-profit corporation in 1990 with Mr. Jerome Cox as president and Mr. Johnny Cox as vice president. During 1995 and 1996, LAYORC received grants from the Governor's Office of Urban Affairs and Development.

Mr. Johnny Cox is also the pastor of the Will of God Ministries Church, a non-denominational church incorporated in 1990. Mr. Jerome Cox is the assistant pastor and evangelist at this church.

LAYORC received two Legislative Enrichment Program grants from the Governor's Office of Urban Affairs and Development during 1995 and 1996 that totaled \$199,288. The applications for funds for both fiscal years, signed by Mr. Jerome Cox and Mr. Johnny Cox, state that the grant funds will be used for tutorial services to students in grades 1 through 12 in the areas of reading, math, science, language, and computer skills. The cooperative endeavor agreements state that these grant funds are to be used only for purposes specified in the contractor's application. Further, the cooperative endeavor agreements noted above provide that "upon completion of this agreement . . . all . . . funds or any other material related to this contract shall become the property of the state."

In January 1996, the Office of Legislative Auditor received a copy of LAYORC's compilation report dated July 31, 1995, prepared by Johnson, Thomas, and Cunningham, CPAs. The report cited various related party transactions. In addition, we received an allegation indicating that grant funds were used for purposes other than those specified in the grant contract.

We conducted our investigation to determine whether the management of LAYORC had complied with all grant specifications in the administration of the tutorial program. In addition, we addressed other issues that came to our attention during our investigation.

Our procedures consisted of (1) interviewing certain current and prior officials, employees, and contractors of LAYORC; (2) examining documents related to the tutorial program; (3) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (4) reviewing applicable Louisiana laws.

The results of our investigation are the findings and recommendations presented herein.

Findings and Recommendations

The findings and recommendations that follow contain abbreviated references to Louisiana Revised Statutes (LSA-R.S.). These statutes are explained in detail in the Legal Provisions section of this report (Attachment II).

The Louisiana Youth Outreach Coalition (LAYORC) entered into two cooperative endeavor agreements with the Governor's Office of Urban Affairs and Development in fiscal years 1995 and 1996. The cooperative endeavors specify that the funds received were to be used for tutoring children in grades 1 through 12 in the areas of reading, math, science, language, and computer skills. The cooperative endeavors also state that "upon completion of this agreement . . . all . . . funds or any other material related to this contract shall become the property of the state." Our investigation revealed that Mr. Johnny Cox and Mr. Jerome Cox used the state funds for purposes not related to tutoring children as follows:

GRANT FUNDS USED FOR BUILDING MATERIALS AND CONSTRUCTION LABOR

During the period March 1, 1995, through December 10, 1995, Mr. Johnny Cox and Mr. Jerome Cox used \$18,892 of the state grant funds to purchase building materials and pay for construction labor. Of this amount, \$5,357 was spent for building materials and labor used on private property owned by Mr. Johnny Cox. Mr. Johnny Cox and Mr. Jerome Cox have not provided nor have we been able to determine the relationship to the grant of the remaining \$13,535 spent on building materials and labor. In addition, some of these expenditures were made after LAYORC had ceased providing tutoring services to children.

The disbursement of \$18,892 of state grant funds were made to the following vendors:

CBS Home Express	\$4,102	
Mr. J. W. Moore	1,095	
Clift Construction	160	
Subtotal	<u>5,357</u>	<u>\$5,357</u>

Home Depot	\$8,824	
Custom-Bilt Cabinets	671	
Mr. Mathew Douglas	1,295	
Mr. Bobby Mays	1,200	
Mr. Alfred Weaterford	550	
Mr. Billy Ingram	545	
Alton Shaver Sales	450	
Subtotal		<u>\$13,535</u>
Grand Total		<u><u>\$18,892</u></u>

Payments totaling \$5,357 were made to CBS Home Express, Mr. J. W. Moore, and Clift Construction for work performed on properties owned by Mr. Johnny Cox.

CBS Home Express, a supplier of building materials, was paid \$4,102 from state grant funds for building materials. Upon reviewing invoices, Mr. Randy Walker, manager of CBS Home Express, provided a written statement indicating that the materials purchased were used either to renovate a house at 715 East Carroll Street or a garage at 1429 Highway 71 South. These properties are owned by Mr. Johnny Cox. According to Mr. Walker, he and Mr. Cox discussed the intended use of the materials in the East Carroll Street house and the garage. Mr. Walker further informed us that none of the materials were used on the LAYORC office. Mr. Ben Bryant, owner of a business located next door to LAYORC, agreed that no renovations or new construction occurred at the site of the LAYORC office during the period these purchases were made.

Mr. J. W. Moore, an independent contractor, informed us that he installed septic tanks at both the Will of God Ministries Church and the garage at 1429 Highway 71 South. Mr. Moore also informed us that he spread gravel in the church parking lot before the concrete was poured. According to property records, the church property is owned by Mr. Johnny Cox. Mr. Moore identified three LAYORC checks totaling \$1,095 as the compensation he received for these services.

Clift Construction received \$160 for dozer work at the Will of God Ministries Church. Mr. Tim Clift, owner of Clift Construction, was paid with a check from the LAYORC account dated March 9, 1995.

In addition, \$13,535 of grant funds were paid to Home Depot, Custom-Bilt Cabinets, and various other contractors and vendors. Neither Mr. Johnny Cox nor Mr. Jerome Cox has explained the purpose of these expenditures and we have been unable to determine where these materials and services were used or their relationship to tutoring children.

LAYORC funds amounting to \$8,824 were paid to Home Depot for various building supplies such as fencing, drywall, paint, and supplies.

Custom-Bilt Cabinets, a custom manufacturer of doors and cabinets, was paid \$671 for three doors that were delivered to the Will of God Ministries Church. We are uncertain as to where these doors were installed.

LAYORC records also indicate that \$4,040 of the grant funds were used to pay various contractors and vendors for carpentry, painting, and lumber.

In addition, many of these expenditures for materials and labor were made after LAYORC had ceased providing tutoring services to students. We were informed by Ms. Diedra Donivan, former tutoring coordinator for LAYORC, that the tutoring session ended in early May 1995. However, \$10,517 of the \$18,892 was spent on building materials and labor with checks dated after May 1995.

MS. LINDA COX WAS PAID A SALARY FOR SERVICES SHE DOES NOT APPEAR TO HAVE PERFORMED

Mr. Jerome Cox used \$34,222 of grant funds to pay his wife, Ms. Linda Cox, a salary for services as administrative director and coordinator of planning and public relations for LAYORC. Mr. Jerome Cox has refused to comment on the work performed by his wife and has refused to allow us to speak with his wife. We found no evidence that Ms. Cox provided the services for which she was paid.

During the period November 1994 through September 1995, Ms. Linda Cox was paid a monthly salary of \$3,111 to perform the services of administrative director and coordinator of planning and public relations for LAYORC. When questioned about his wife's duties, Mr. Jerome Cox informed us that his wife prepared LAYORC's books. Mr. Jerome Cox had previously informed us that Ms. Stephanie Sanders prepared LAYORC's books. Ms. Stephanie Sanders also informed us that she prepared LAYORC's financial records. In addition, while our review of LAYORC's records revealed work performed by other LAYORC employees, we found no evidence that Ms. Cox did any work with LAYORC's books.

During our investigation, we attempted to confirm that Ms. Cox actually performed the services described in her job title. We reasoned that an employee paid to perform as a public relations officer for a tutoring service should have had contact with the superintendent of the Red River Parish School Board and the principals and assistant principals of Red River Parish schools. Mr. Wyly Cole, superintendent of the Red River Parish School Board, stated that he has not been in contact with anyone associated with LAYORC. Ms. Susan Taylor, principal of Coushatta Elementary School, stated that she did not remember having contact with anyone from LAYORC. Mr. Luther Myers, principal at Springville Middle School, was not aware

that Ms. Linda Cox was the public relations officer for LAYORC. Ms. Evelyn Williams, assistant principal at Coushatta High School, stated that she did not remember Ms. Linda Cox doing any public relations work for LAYORC.

Ms. Diedra Donivan, former tutoring coordinator for LAYORC, stated that, to the best of her knowledge, Ms. Cox tutored only occasionally for LAYORC. According to Northwestern State University records, Ms. Cox was a full-time nursing student during the period she was paid by LAYORC.

We asked Mr. Jerome Cox what hours were worked and what duties were performed by Ms. Cox for the salary she received; however, Mr. Cox refused to comment. We requested that Mr. Cox arrange a meeting between our representatives and Ms. Cox. Mr. Cox stated that we could not speak with his wife.

RENT PAID DURING MONTHS TUTORING PROGRAM WAS NOT OPERATING

Mr. Johnny Cox and Mr. Jerome Cox used \$21,000 in grant funds to rent space for LAYORC's tutoring program. Rental payments were made for twelve months to the Will of God Ministries Church although tutoring services were held for only five months. Furthermore, rents paid appear to have been in excess of the fair market value.

During the period November 1994 through December 1995, Mr. Johnny Cox and Mr. Jerome Cox paid \$21,000 to the Will of God Ministries. According to Mr. Jerome Cox, these payments were for rental space in three buildings. The three buildings rented were the Will of God Ministries Church sanctuary, a small building adjacent to the left of the church sanctuary, and a small building used as an office for LAYORC, the Will of God Ministries Church, and Tower Tax Service. According to property records, the church property is owned by Mr. Johnny Cox.

All twelve rent checks were signed by Mr. Jerome Cox and endorsed by Mr. Johnny Cox. Although we requested a copy of the rental agreement, it has not been provided to us as of the date of this report.

While the payments were made over a 12-month period, LAYORC's tutoring efforts lasted only five months. Ms. Diedra Donivan, former tutoring coordinator for LAYORC, told us that the tutoring session for 1995 lasted from January to the end of the regular school session in the first part of May. Ms. Mikki Grant, an employee of LAYORC, substantiated the time frame given by Ms. Donivan. Thus, it appears that LAYORC used the facilities for tutoring for less than five months while rent was paid for 12 months. Further, Ms. Donivan stated that the tutoring sessions lasted only one and one-half hours each school day.

In addition, the rental payments appear to have been greater than the fair market value of the buildings. A real estate agent in Coushatta told us that a generous rental value for the three buildings in question is approximately \$1,250 per month. However, payments by LAYORC averaged \$1,750 per month.

Furthermore, the tutoring service was not the exclusive use of the building during this period. The church sanctuary was used for regular church services held each Sunday and Tuesday. The office building was also used as the church office and a tax preparation office, "Tower Tax Service."

It appears that state grant funds were used to pay rent on buildings during months which they were not used by LAYORC students. In addition, the buildings were used by LAYORC students on school days for only one and one-half hours per day. Furthermore, rental payments were in excess of the fair market rental values of the properties rented.

GRANT FUNDS USED TO PAY UTILITY BILLS FOR PRIVATE PROPERTY

During the period January 1995 through December 1995, Mr. Jerome Cox and Mr. Johnny Cox used state grant funds to pay \$1,216 in electric charges, \$1,046 in telephone charges, \$128 in gas bills, and \$115 in water bills. A major portion of the aforementioned expenses were unrelated to the purpose of the grant.

An examination of LAYORC's records indicated that grant funds were used to pay the electric, telephone, gas, and water bills for the Will of God Ministries Church and a garage owned by Mr. Johnny Cox. Specifically, Mr. Johnny Cox and Mr. Jerome Cox used \$2,433 to pay utility charges for the Will of God Ministries Church and \$72 for the garage. Property records indicate that these properties are owned by Mr. Johnny Cox.

Mr. Johnny Cox and Mr. Jerome Cox explained to us that grant funds were used to pay the Will of God Ministries Church utility bills because children were tutored there. Our review of LAYORC's records and discussions with employees and officers revealed that the tutoring program was in operation for only one and one-half hours each school day from January through May 1995. However, utility bills were paid in their entirety with grant funds from January through December 1995. Both men agreed that the utility bills included charges incurred for church related activities. They also agreed that they would like to establish a percentage of use by LAYORC and reimburse the state for the utility charges paid by LAYORC for non-grant purposes.

The garage is currently being used as a hair salon and storage facility for a 1955 Chevrolet that is registered to Mr. Jerome Cox. The garage does not appear to have been used for any purpose related to the grant. We were informed by Mr. Jerome Cox and Mr. Johnny Cox that they planned to use it for the tax service and the tutoring program in the future.

**GRANT FUNDS USED FOR PURCHASES FOR
THE WILL OF GOD MINISTRIES CHURCH**

Grant funds were used to buy two vans, offering envelopes, business cards, and a musical synthesizer for the Will of God Ministries.

TWO VANS PURCHASED FOR A TOTAL OF \$3,255

Mr. Jerome Cox used \$3,255 to purchase and modify two vans. One was purchased one month before the end of the tutoring services. The second van was purchased after the tutoring services ended. In addition, the vans were used by the Will of God Ministries.

Mr. Jerome Cox signed a check dated April 21, 1995, for \$1,300 payable to Shiloh Baptist Church for the purchase of a van. On July 15, 1995, Mr. Jerome Cox signed a check for \$1,400 payable to Mr. Tonie L. Cox, a brother of Mr. Jerome Cox, for the purchase of a second van. Another check was signed by Mr. Jerome Cox for \$555 dated July 19, 1995, for the installation of a stereo sound system in the van purchased from his brother. We asked if the vans were ever used to transport students. Both Mr. Johnny Cox and Mr. Jerome Cox agreed that the vans had been used for that purpose. We reminded the two men that they discontinued the tutoring program in early May 1995. We also reminded them that the first van was purchased in late April and the second van was purchased in July. They responded by saying that the vans were purchased for the future of the program. We asked if the vans were used for the Will of God Ministries Church. Mr. Johnny Cox stated that they "try not to use the vans for church purposes." He further asked, "How do you separate LAYORC from the church?"

We asked former LAYORC tutoring coordinator, Ms. Diedra Donovan, if the vans were ever used for tutoring purposes. She answered that the vans were never used by LAYORC, but the Will of God Ministries Church had used the vans. Mr. Ben Bryant, a business owner next door to LAYORC, stated that he had seen the vans used to transport people to and from church, but that he had not seen the vans used for transporting children to or from tutoring services.

Our investigation also determined that one of the vans was used for a Will of God Ministries Church trip to the Passion Play in Eureka Springs, Arkansas. (Subject of another finding)

PRINTED MATERIALS PURCHASED FOR CHURCH

Mr. Johnny Cox and Mr. Jerome Cox used \$800 in state grant funds to purchase printed materials for the Will of God Ministries Church.

On March 30, 1995, the Will of God Ministries Church placed an order totaling \$758 for offering envelopes, business cards, and miscellaneous items from Impressions by Dunagan. Ms. Dunagan said that she called Mr. Cox several times requesting payment of these invoiced items. Mr. Cox then came into the store and gave her a LAYORC check dated July 26, 1995, for \$800. The LAYORC account on which the check was drawn was completely funded by state grants. We asked Ms. Dunagan why the check was for \$800 in payment of an invoice for \$758. She said that she assumed that it was Mr. Cox's way of making up for being past due with his remittance.

On March 12, 1995, we asked Mr. Johnny Cox about the purchase described above. He told us that this expenditure was his mistake. Mr. Cox stated that when he paid for this material, he did not realize that it was for the church. We examined Dunagan's sales records during this period and found that no other purchase was made by either the Will of God Ministries Church or LAYORC. Mr. Johnny Cox agreed that the printed materials were completely religious in nature. He also stated that Mr. Jerome Cox had written an affidavit stating that they would pay the money back if they had to. Mr. Jerome Cox confirmed Mr. Johnny Cox's statement. We asked for a copy of the affidavit but have not received it as of the date of this report.

MUSICAL SYNTHESIZER PURCHASED FOR CHURCH

Mr. Johnny Cox and Mr. Jerome Cox used \$2,646 of state grant funds to purchase a musical synthesizer for religious services at the Will of God Ministries Church.

Mr. Jerome Cox signed a check for \$2,646 dated June 26, 1995, drawn on a LAYORC account and payable to Shreveport Music. We were unable to find an invoice documenting this expenditure in LAYORC files. We spoke with Mr. Sam Denton of Shreveport Music who told us that he sold the musical synthesizer (keyboard) to Mr. Johnny Cox. Mr. Denton further told us that the keyboard was delivered to the Will of God Ministries Church and connected to the church's sound system.

We asked Mr. Johnny Cox and Mr. Jerome Cox to show us the keyboard purchased with LAYORC funds. The keyboard was located in the Will of God Ministries Church building. We asked both men about the use of the keyboard and they told us that it was used to teach students computer skills. We asked if the keyboard was used in church services also. At first, both men replied that the keyboard was used only for tutoring purposes. We asked them if members of their congregation would verify that the keyboard was not used for church services. At this point, both men admitted that the keyboard was used to provide music in their church services.

The grant agreements signed by both Mr. Johnny Cox and Mr. Jerome Cox state that tutoring will be provided to students in the areas of reading, math, science, language, and computer skills. The keyboard purchased with grant funds is a computerized keyboard. However, the skills learned from the use of this equipment could not be described as computer skills.

GRANT FUNDS USED FOR A CHURCH TRIP

Mr. Jerome Cox received a \$2,500 check from LAYORC; \$1,213 was spent on a trip to Eureka Springs, Arkansas, visiting religious sites. The expenditure of the remaining \$1,287 is undocumented.

Our examination of LAYORC records revealed that a check was written to Mr. Jerome Cox for \$2,500 on July 20, 1995, and cashed by him that same day. The notation on the remittance advice to the check describes its purpose as "staff trip and supplies." Upon further examination of LAYORC records, we found attached to the expense request \$1,213 in receipts for lodging, meals, gasoline, and miscellaneous expenses for a trip to Eureka Springs, Arkansas. We found no documentation for the remaining \$1,287. We found an itinerary describing the trip as a "Will of God Ministries, 1995 Eureka Springs Passion Play Trip/Fellowship." The itinerary shows that the trip commenced on July 20, 1995, the same day the check was cashed. We further found a narrative description of the trip titled "Louisiana Youth Outreach Coalition Staff Trip." It states that six LAYORC staff members ". . . took a trip to observe and obtain ideas for the enhancement of our youth program." The narrative further states that the trip was made in the youth van. (This van was purchased with state grant funds by LAYORC from Mr. Tonie Cox.) (Subject of another finding)

We asked Mr. Jerome Cox about the \$2,500 check cashed by him. He told us that the check was a reimbursement for his mileage for travel to and from Baton Rouge dealing with matters related to the grant. Mr. Cox said that the reimbursement represented mileage at 24 cents per mile and did not include meals or lodging. The map mileage for a round trip between Baton Rouge and Coushatta is 386 miles, which, at 24 cents per mile, equals \$93. Therefore, Mr. Cox would have received a reimbursement for at least 26 round trips to Baton Rouge. We found no documentation or other evidence to support Mr. Cox's statement. Mr. Cox refused to comment further on this matter.

We spoke with Mr. Chester Jones, former executive assistant, and Mr. Chris Collins, deputy director of the Governor's Office of Urban Affairs and Development. Mr. Jones said that he could not remember ever meeting with Mr. Johnny Cox or Mr. Jerome Cox in Baton Rouge. Mr. Collins said that he met with Mr. Johnny Cox or Mr. Jerome Cox in Baton Rouge on only two occasions.

**GRANT FUNDS USED TO PURCHASE
TIRES AND PAINT VEHICLES****TIRES**

Mr. Johnny Cox and Mr. Jerome Cox used \$1,766 of state grant funds to purchase tires for three privately owned vehicles.

Mr. Jerome Cox signed a LAYORC check for \$1,766 on March 23, 1995, for the purchase of 14 tires for three vehicles: a 1955 Chevrolet owned by Mr. Jerome Cox; a 1956 Buick owned by Mr. Johnny Cox; and a 1971 Ford bus in the possession of Mr. Johnny Cox and Mr. Jerome Cox. Mr. Johnny Cox said that the company who sold him the tires made a mistake in the manner in which they applied the LAYORC payment. He then added that he had put the money that was spent on his personal vehicles back into the LAYORC account. We asked if we could trace this repayment to the deposits into the LAYORC bank account. Mr. Johnny Cox stated that the money had not actually been deposited into the account as of March 12, 1996, approximately one year later. Mr. Johnny Cox then explained that they had written an affidavit stating that they would pay the money back. He further explained that this affidavit was completed so that they would have some documentation to present if they were ever audited. When we asked to see the affidavits, they responded by saying that they did not have the documents at the LAYORC office, but that they would mail them to us. As of the date of this report, the affidavits have not been provided to us.

Mr. Robert C. Meredith, owner of Meredith Tire & Auto Care, provided a written statement that Mr. Johnny Cox appeared at his place of business to purchase 14 tires for three vehicles. The invoice and the check are both dated March 23, 1995, indicating that the sale and payment occurred on the same day.

AUTOMOTIVE PAINTING

Mr. Jerome Cox and Mr. Johnny Cox used \$2,195 in state grant funds to pay for the painting of six vehicles not owned by LAYORC.

Two LAYORC checks payable to Robert Cruse Body Shop were signed by Mr. Jerome Cox. The first check was dated March 1, 1995, for \$1,200 and the second check was dated April 28, 1995, for \$995. We asked Mr. Cruse what work he had performed for these payments. In a written statement, Mr. Cruse stated that he painted two Mercedes, a 1955 Chevrolet, a bus belonging to the Will of God Ministries Church, a Chevrolet van, and a Buick Roadmaster. Mr. Cruse also identified these vehicles in pictures shown to him.

We reviewed motor vehicle records of the vehicles and determined that a 1956 Buick and a 1977 Mercedes are registered to Mr. Johnny Cox, and a 1955 Chevrolet is registered to Mr. Jerome Cox. We were unable to find the ownership of the other vehicles described by Mr. Cruse. However, we observed a black Mercedes parked at a house owned by Mr. Johnny

Cox. In addition, Mr. Johnny Cox and Mr. Jerome Cox confirmed to us that Mr. Cruse painted one of the Chevrolet vans purchased with the grant. (Subject of another finding)

Both Mr. Johnny Cox and Mr. Jerome Cox agreed that Mr. Cruse painted the vehicles described above. However, Mr. Johnny Cox told us that he paid Mr. Cruse with a personal check for the work Mr. Cruse did on his personally owned vehicles. Mr. Jerome Cox made no statement. We asked for copies of any personal checks documenting payments to Mr. Cruse. No such documentation has been made available to us as of the date of this report.

GRANT FUNDS USED TO PURCHASE TOOLS

Mr. Jerome Cox used \$1,219 of state grant funds to purchase an air compressor, a generator, a pressure washer, and two extended warranty service contracts.

Mr. Jerome Cox signed a LAYORC check dated April 17, 1995, for \$1,219 payable to Sears for the purchase of an air compressor, a generator, a pressure washer, and two extended warranties. We asked Mr. Johnny Cox and Mr. Jerome Cox what grant purpose was served by the purchase of these tools. Both agreed that they planned to teach the students how to use the tools to be more productive in society. Further, they told us that the pressure washer was used to wash down the parking lot after parents picked their children up from the day's tutoring activities. They said that the air compressor was used to operate the pressure washer. They also stated that the generator was used to provide electricity for carnivals that they held for the children at the completion of the tutoring sessions. They explained that these carnivals were held in the church parking lot. We noted that electrical service is readily available at this location.

We spoke with Ms. Diedra Donovan, former tutoring coordinator for LAYORC, who told us that she did not remember seeing anyone teaching the students how to use tools. She said that the children only watched the workers as they built the church.

Mr. Bill Donovan, Ms. Diedra Donovan's husband, told us that he worked as a volunteer doing construction work at the Will of God Ministries Church, the classroom building next to the church, and a house owned by Mr. Johnny Cox at 715 East Carroll Street. Mr. Donovan added that the LAYORC children helped them carry boards and other construction materials. Mr. Donovan also said that he remembered seeing a pressure washer at the Will of God Ministries Church. Mr. Donovan told us that the only purpose for which he had seen the pressure washer used was to wash cars belonging to Mr. Jerome Cox or Mr. Johnny Cox. Mr. Donovan added that he remembered using an air compressor when painting and texturing ceilings for either Mr. Johnny Cox or Mr. Jerome Cox.

A two-story white house at 715 East Carroll Street owned by Mr. Johnny Cox was renovated during the summer of 1995. Mr. Robert McHenry, a local contractor, told us that he worked on the white house during this period. He told us that there was no electricity at this location

and that he used a power generator most of that summer to provide electricity for his circular saw. Mr. McHenry said that the generator he used was a new, red generator owned by Mr. Johnny Cox or Mr. Jerome Cox. The generator described by Mr. McHenry appears similar to the generator purchased with grant funds.

Recommendation

As stated previously in this report, the cooperative endeavor agreements entered into by the Governor's Office of Urban Affairs and Development and LAYORC is specific as to how the funds may be expended. It states that "these funds are to be used only for the purposes stated in the contractor's application." LAYORC's application provided that the purpose of the funds was to provide tutorial services to students in grades 1 through 12 in the areas of reading, math, science, language, and computer skills. The expenditures described in the preceding findings, which total \$91,000, were made for purposes that may not relate to those specified by the cooperative endeavor agreements. By using funds intended for providing tutoring services to local children for purposes other than those specified by the applications, Mr. Johnny Cox and Mr. Jerome Cox may have violated one or more of the following Louisiana laws:

- LSA-R.S. 14:26, "Criminal Conspiracy"
- LSA-R.S. 14:67, "Theft"
- LSA-R.S. 14:68, "Unauthorized Use of a Movable"

We recommend that the Governor's Office of Urban Affairs and Development seek reimbursement for all funds spent for purposes not permitted by the grant. In addition, the Governor's Office of Urban Affairs and Development should seek legal advice in determining the ownership of the assets purchased by LAYORC with these grant funds. Furthermore, we recommend that the Governor's Office of Urban Affairs and Development improve its control over future grant programs by establishing specific, written guidelines as to the purposes for which grant funds may be expended and establishing a monitoring program designed to ensure compliance with the cooperative endeavor agreements and program objectives.

We further recommend that the District Attorney for the Thirty-Ninth Judicial District of Louisiana review this information and take appropriate legal action.

Attachment I

Management's Response



M. J. "MIKE" FOSTER, JR.
GOVERNOR

State of Louisiana

OFFICE OF THE GOVERNOR

Baton Rouge

70804-9004

POST OFFICE BOX 94004
(504) 342-7015

July 17, 1996

Mr. Daniel Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Kyle:

In reviewing your investigative audit report of the Louisiana Youth Outreach Coalition, the Office of Urban Affairs and Development will submit this information for review to the District Attorney of the Nineteenth Judicial District of Louisiana and the U.S. Attorney's Office to determine if legal action is appropriate. Urban Affairs and Development also intends to seek legal advice and remedies concerning reimbursement of funds spent for purposes not permitted by the grant and ownership of assets purchased by Louisiana Youth Outreach Coalition.

The Office of Urban Affairs and Development has established written guidelines to improve control over grant programs and is currently involved in the design of an improved monitoring program to ensure compliance with the cooperative endeavor agreement and program objectives. Enclosed is a copy of the current guidelines developed to improve control over grant programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Collins".

Chris Collins, Deputy Director
Urban Affairs and Development

Attachment II
Legal Provisions

Legal Provisions

The following legal citations are referred to in the Findings and Recommendations section of this report:

LSA-R.S. 14:26 provides that criminal conspiracy is the agreement or combination of two or more persons for the specific purpose of committing any crime; provided that an agreement or combination to commit a crime shall not amount to a criminal conspiracy unless, in addition to such agreement or combination, one or more of such parties does an act in furtherance of the object of the agreement or combination.

LSA-R.S. 14:67 provides that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

LSA-R.S. 14:68 provides that unauthorized use of a movable is the intentional taking or use of a movable which belongs to another, either without the other's consent, or by means of fraudulent conduct, practices, or representations, but without any intention to deprive the other of the movable permanently.
