

# **NATIONAL ASSOCIATION FOR AFRICAN AMERICAN ECONOMIC DEVELOPMENT**

**INVESTIGATIVE AUDIT SERVICES**

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July 16, 2025

**MYRON LEE, CHIEF EXECUTIVE OFFICER  
AND MEMBERS OF THE BOARD OF DIRECTORS  
NATIONAL ASSOCIATION FOR AFRICAN AMERICAN  
ECONOMIC DEVELOPMENT**

New Orleans, Louisiana

We are providing this report for your information and use. This investigative audit was performed in accordance with Louisiana Revised Statutes 24:513, *et seq.* to determine the validity of complaints we received.

The procedures we performed primarily consisted of making inquiries and examining selected financial records and other documents and do not constitute an examination or review in accordance with generally accepted auditing or attestation standards. Consequently, we provide no opinion, attestation or other form of assurance with respect to the information upon which our work was based.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the Orleans Judicial District, the District Attorney for the 19<sup>th</sup> Judicial District of Louisiana, and others as required by law.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

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NAAAED





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## EXECUTIVE SUMMARY

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### **State Funds Improperly Used for Charitable Gaming Activities**

In February 2024, the National Association for African American Economic Development (NAAAED) entered into a cooperative endeavor agreement (CEA) with the Louisiana Department of Treasury (Treasury) and received \$400,000 in state-appropriated funds to provide occupational skills training, job placement, and eviction prevention training within House of Representatives District 99. However, from March 2024 to December 2024, records show that NAAAED improperly used \$199,568 of those funds to support its charitable gaming activities (bingo). Although NAAAED disbursed \$185,000 to various subrecipients to carry out the CEA's objectives, NAAAED failed to properly monitor those subrecipients and did not provide Treasury with documentation demonstrating proper use of the funds. By diverting state funds to support charitable gaming activities and failing to maintain and submit required supporting documentation to Treasury, NAAAED may have violated its CEA with Treasury and state law.





## BACKGROUND AND METHODOLOGY

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The National Association for African American Economic Development (NAAAED) is a Louisiana nonprofit corporation domiciled in New Orleans that registered with the Louisiana Secretary of State on January 14, 1992. According to its website, NAAAED “was formed with a mission to Educate, Assist and Empower the income challenged and underserved citizens in the State of Louisiana.”

Prior to calendar year (CY) 2024, NAAAED had not received any funds from the State of Louisiana. Its primary funding sources before CY 2024 consisted of donations and proceeds derived from community bingo operations. In March 2024, NAAAED received funding from the State of Louisiana under Act 397 of the 2023 Regular Session of the Louisiana Legislature for programs aimed at promoting economic development within House of Representatives District 99 (New Orleans East). By receiving state funds in March 2024, NAAAED became a quasi-public agency in accordance with Louisiana Revised Statute 24:513.<sup>1</sup> Louisiana law<sup>2</sup> states that if the state or local assistance received and/or expended by a quasi-public agency or body is commingled with other funds of the quasi-public agency or body, then such state or local assistance and other funds of the quasi-public agency or body shall be audited.

In August 2024, a representative of the Louisiana Department of Treasury (Treasury) contacted the Louisiana Legislative Auditor and indicated that NAAAED failed to provide any documentation to support NAAAED’s use of the state appropriated funds. In addition, the Treasury representative indicated that Treasury received complaints that NAAAED commingled state funds with non-public funds and used the state funds for charitable gaming activities. We initiated this audit to determine the validity of these complaints. The procedures performed during this audit included:

- (1) interviewing NAAAED officers;
- (2) examining selected NAAAED documents and records;
- (3) gathering and examining third parties’ documents and records; and
- (4) reviewing applicable state and federal laws and regulations.



## FINDING AND RECOMMENDATIONS

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### State Funds Improperly Used for Charitable Gaming Activities

**In February 2024, The National Association for African American Economic Development (NAAAED) entered into a Cooperative Endeavor Agreement (CEA) with the Louisiana Department of Treasury (Treasury) and received \$400,000 in state-appropriated funds to provide occupational skills training, job placement, and eviction prevention training within House of Representatives District 99 (District 99). However, from March 2024 to December 2024, records show that NAAAED improperly used \$199,568 of those funds to support its charitable gaming activities (bingo). Although NAAAED disbursed \$185,000 to various subrecipients to carry out the CEA's objectives, NAAAED failed to properly monitor those subrecipients and did not provide Treasury with documentation demonstrating proper use of the funds. By diverting state funds to support charitable gaming activities and failing to maintain and submit required supporting documentation to Treasury, NAAAED may have violated its CEA with Treasury and state law.<sup>3</sup>**

The Louisiana Legislature appropriated \$800,000 to NAAAED during the 2023 Regular Legislative Session. In order to receive the appropriated funds, NAAAED entered into a CEA with Treasury in February 2024. The CEA required NAAAED to provide "occupational skills training, economic literacy initiatives, job placement, job referrals, job shadowing, career exploration activities, work development forum, home and rent stabilization and eviction prevention" as an economic development stimulus program within District 99 (New Orleans East). Program objectives for the CEA included the following:

- (1) Enroll 125 individuals to receive services by June 30, 2024;
- (2) Spend approximately \$57,250 on operating expenses by June 30, 2024; and
- (3) Spend approximately \$680,000 to distribute to NAAAED sub-recipients for District 99 Economic Development Stimulus Program by June 30, 2024.

The CEA included *Attachment B – Schedule of Other Charges*, which indicated that NAAAED would distribute \$680,000 to subrecipients (local churches and other community-based organizations) to deliver the services described above. Upon signing the CEA, Treasury notified NAAAED's Chief Executive Officer Myron Lee, in writing, that Treasury would process payment for 50% of the appropriated funds, and the remainder would be processed on a reimbursement basis. In addition, Section 2.2 of the CEA required NAAAED to submit quarterly Progress and

Cost Reports, including invoices and/or check copies to substantiate the expenditure of funds.

In August 2024, a Treasury representative contacted LLA and indicated that NAAAED failed to provide Treasury with any documentation to support NAAAED's use of the state appropriated funds. In addition, the Treasury representative indicated that Treasury received complaints that NAAAED commingled state funds with non-public funds and used the state funds for charitable gaming activities. Based on these complaints, we obtained and reviewed NAAAED's bank records and CEA documentation. During our audit, we found that NAAAED used at least \$199,568 of the state-appropriated funds on charitable gaming and other operating activities. These records also showed that NAAAED awarded \$185,000 to subrecipients but failed to monitor and properly document the subrecipients' use of the funds.

#### Funds Improperly Used for Charitable Gaming Activities

Records show that Treasury issued a \$400,000 check to NAAAED on March 8, 2024, and that NAAAED deposited the check to a newly-opened CEA bank account on March 26, 2024. According to bank records, NAAAED transferred funds totaling \$69,000 from the CEA account to its Operating account from March 29, 2024 to May 21, 2024.<sup>1</sup> During the same period, NAAAED incurred charitable gaming (bingo) expenses (using state funds transferred to the Operating account) for supplies, equipment, consulting, security personnel, etc. totaling \$30,905 and used another \$10,600 to open a new operating account and three charitable gaming bank accounts. As of May 21, 2024, almost two months after the receipt of state funds, NAAAED had not yet awarded any of the state CEA funds to subrecipients for economic stimulus within District 99.

The Louisiana Department of Revenue - Office of Charitable Gaming (OCG) and NAAAED records show that NAAAED began holding bingo sessions in early May 2024 and continued through at least November 2024. In addition to the amounts described in the paragraph above, NAAAED transferred state funds totaling \$136,123 from its CEA account to the new operating account (\$109,323) and its primary charitable gaming account (\$26,800) to finance charitable gaming operations from the end of May 2024 through September 2024. For example, NAAAED rented a building (outside of District 99) for \$800-\$1,000 per day (totaling \$52,100) where bingo sessions were held. NAAAED paid an additional \$13,260 for electrical supplies and lighting and wiring upgrades to the building.

Based on the records we reviewed, NAAAED transferred \$205,123 in state funds from its CEA bank account to other NAAAED bank accounts from March 2024 through September 2024. Of this amount, only \$5,555 appears to have been used for actual CEA-related expenses, indicating that \$199,568 in state funds were used to support NAAAED's charitable gaming activities (bingo) -- an activity not

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<sup>1</sup> At the time of the initial transfer (March 29, 2024), NAAAED's Operating account had a balance of \$557, and based on the records provided, NAAAED did not have any other bank accounts.

authorized by the CEA. NAAAED CEO and Board Chairman Myron Lee and Board member Ernest Johnson both acknowledged using state CEA funds to support NAAAED's charitable gaming activities. Both also acknowledged they did not obtain permission from the state to redirect funds for this purpose. Mr. Lee and Mr. Johnson asserted that the bingo nights were intended to create jobs, which they believed aligned with the CEA's objectives. Mr. Lee and Mr. Johnson stated the turnout for the bingo nights was lower than they expected, which meant bingo nights generated less revenue than their cost of operation. Due to a lack of documentation, we were unable to determine the full financial impact or net loss from NAAAED's charitable gaming operations. As of January 31, 2025, NAAAED's ending bank balance (inclusive of all bank accounts) was \$938.<sup>2</sup>

To operate charitable gaming activities, NAAAED is required by state law to obtain a permit and file Charitable Gaming Quarterly Reports (Quarterly Report) with OCG. According to OCG, NAAAED filed a Quarterly Report for the second quarter (April – June) of 2024, but has not filed for the third and fourth quarters of 2024. In addition, we reviewed NAAAED's Quarterly Report and bank records and found that NAAAED paid at least 29 individuals, including Mr. Lee, Mr. Johnson, and an administrative assistant, nonemployee compensation in excess of \$600 during 2024. The Internal Revenue Code requires that Internal Revenue Service Form 1099-MISC (1099) be filed for all persons whom NAAAED paid nonemployee compensation exceeding \$600 in one year. Mr. Lee and Mr. Johnson confirmed that NAAAED did not issue any 1099s.

#### *Lack of Documentation and Failure to Monitor Subrecipients*

As previously noted (see bottom of page 4), under its CEA with Treasury, NAAAED opted to distribute state funds to subrecipients (e.g., local churches and community-based organizations) to deliver the services described in the CEA. According to the CEA, NAAAED was required to distribute approximately \$680,000 to its subrecipients and enroll at least 125 individuals to receive occupational skills training, job placement assistance, and eviction prevention services by June 30, 2024. The CEA also required NAAAED to monitor the performance of subrecipients to ensure compliance with program objectives and to submit quarterly Progress and Cost Reports to Treasury, along with supporting documentation (e.g., copies of invoices, checks, etc.). According to Treasury, as of March 5, 2025, NAAAED had not provided any progress reports, cost reports, or other supporting documentation to substantiate its use of the state funds or demonstrate the required services were delivered.

Records provided to LLA by NAAAED show that NAAAED solicited and received proposals to provide services under the CEA from several potential subrecipients. According to these records, NAAAED distributed state funds totaling \$185,000 to six different subrecipients in amounts ranging from \$8,000 to \$115,000 from May 22, 2024 to September 6, 2024. We reviewed NAAAED's

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<sup>2</sup> As of the date of this report, the remaining \$400,000 in state-appropriated funds is being withheld by Treasury, as NAAAED has not submitted documentation to Treasury to support NAAAED's use of the initial \$400,000.

subrecipient files and found that NAAAED had little to no documentation to show whether the subrecipients spent the state funds in accordance with the CEA's objectives. Based on the records provided, we could not determine how many individuals received services or what services were provided. The majority of documentation maintained by NAAAED only supported each subrecipient's payments for salaries, rent, supplies, and equipment.

For example, NAAAED awarded \$115,000 to a local media production company (subrecipient) on May 21, 2024. According to the proposal the subrecipient submitted to NAAAED, the subrecipient would deliver the following:

- (1) Produce a movie in state District 99 that will stimulate the local economy;
- (2) Provide Career Exploration awareness training regarding the various jobs in the film industry;
- (3) Provide occupational skills training in the film and multimedia related industry for eight to 24 participants, specifically in the camera, sound and lighting departments; and
- (4) Provide experiential learning experiences in the film industry through job shadowing for 25% to 50% of program participants.

Based on this proposal, NAAAED entered into a contract with the subrecipient on May 21, 2024, which stated that the subrecipient would provide training to at least 10 interns in camera, lighting, and sound departments. The contract's budget allocated \$23,000 for salaries; \$50,000 for equipment; \$37,000 for professional and contract services; and, \$5,000 in administrative costs.

We reviewed the documentation that the subrecipient submitted to NAAAED. These records show that the subrecipient paid salaries totaling \$23,000 to the program director and two other individuals from May 29, 2024 to July 31, 2024. These records further show that the subrecipient spent \$50,000 on equipment, including two cinema-quality cameras, numerous lenses, and camera monitors. Other expenses included set design and construction and payments to several other contractors to support film production, including \$20,000 to the program director's other media services company for "Editing, Coloring & Sound Design." NAAAED had no documentation to support the number of individuals who received occupational skills training or job shadowing services.

Mr. Lee and Mr. Johnson told us that monitoring the subrecipients and verifying outcomes of their programs was challenging. They stated that they obtained narratives from the subrecipients but stopped working on their documentation for Treasury when LLA contacted them to initiate its audit. LLA first attempted to contact Mr. Lee to initiate an audit on September 17, 2024, more than six months after NAAAED received state funds.

## Conclusion

In February 2024, NAAAED entered into a CEA with Treasury and received \$400,000 in state-appropriated funds to provide occupational skills training, job placement, and eviction prevention training within District 99. However, from March 2024 to December 2024, records show that NAAAED improperly used \$199,568 of those funds to support its charitable gaming activities (bingo). Although NAAAED disbursed \$185,000 to various subrecipients to carry out the CEA's objectives, NAAAED failed to properly monitor those subrecipients and did not provide Treasury with documentation demonstrating proper use of the funds. By diverting state funds to support charitable gaming activities and failing to maintain and submit required supporting documentation to Treasury, NAAAED may have violated its CEA with Treasury and state law.<sup>3</sup>

## **Recommendations**

We recommend NAAAED management:

- (1) Implement written policies and procedures to ensure that management and staff comply with state laws regarding the use of public funds;
- (2) Develop written policies and procedures requiring detailed accounting of all revenues and expenditures;
- (3) Develop policies and procedures to ensure that contractual requirements are properly followed, monitored, and enforced;
- (4) Seek legal advice regarding the repayment of state funds used for charitable gaming activities;
- (5) Comply with state law by filing required quarterly reports on charitable gaming activities; and
- (6) Comply with the federal tax code by reporting all payments to contract laborers as 1099 Miscellaneous Income.





## LEGAL PROVISIONS

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<sup>1</sup> **Louisiana Revised Statute (La. R.S.) 24:513 (A)(1)(b)(iv)** defines quasi-public agency as “any not-for-profit organization that receives or expends any local or state assistance in any fiscal year.”

<sup>2</sup> **La. R.S. 24:513(J)(1)(d)** states, “The provisions of Subparagraph (1)(c) of this Subsection shall apply to the state or local assistance received and/or expended by a quasi-public agency or body when such funds are not commingled with other funds of the quasi-public agency or body. However, if the state or local assistance received and/or expended by a quasi-public agency or body is commingled with other funds of the quasi-public agency or body then such state or local assistance and other funds of the quasi-public agency or body shall be audited pursuant to Subparagraph (1)(c) of this Subsection.”

<sup>3</sup> **La. R.S. 42:1461(B)** states, “When, pursuant to a statute, ordinance, resolution, or contract, or other agreement, a public entity, as defined in Subsection A, entrusts to a contractor or to a quasi-public entity of any kind the care, administration, allocation, or disposition of funds, property, or other things of value belonging to it or under its custody or control, the contractor or the quasi-public entity, and the officers and employees thereof personally, shall be deemed to have undertaken the obligation of a fiduciary with respect to such funds, property, or other things of value of the public entity.”



## **APPENDIX A**

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### Management's Response





The National Association  
for  
African American Economic Development

*...the color of freedom is green...*

July 15, 2025

Michael J. "Mike" Waguespack,  
CPA  
Louisiana Legislative Auditor  
1600 North 3<sup>rd</sup> Street  
Baton Rouge, LA 70804-9397

Subject: NAAED Thank You Letter to LLA

Dear Mr. Michael J, "Mike" Waguespack,

We want to take this opportunity to thank you for the recent fiscal and programmatic review you conducted for NAAED. The review pointed out some deficiencies programmatic and fiscally and as such helped us initiate corrective actions and continue improvement plans. This will increase competency in responding to timely reports and going forward meeting reports production schedules. We will hire a CPA through a contractual agreement, to prepare and respond to request for reports to ensure the accuracy and timeliness of reporting. The hiring of a CPA / comptroller will also put some general accounting principles more firmly in place.

In addition to aforementioned, we will also hire through a contractual agreement, an accountant to ensure ledger reconciliation. Our administrative assistant will be more involved ensuring timely submission of reports. Consistent with our corrective action plan we will engage general counsel to advise us of legal contractual manners/obligations with respect to the state contracts. This will ensure that the same mistakes are not made again. We currently have with the city of New Orleans a couple of proposal submissions pending and hope to secure other state funding from grants and initiatives we are eligible for.

We have also recruited two new board members who have experience in managing state and city contracts. We believe strongly that items mentioned in this correspondence will allow us to perform exemplary in the future.

Sincerely,

Myron O. Lee Sr,  
CEO  
NAAED  
[naaed.inc@gmail.com](mailto:naaed.inc@gmail.com) 504-645-2645