

# **Office of the Inspector General**

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*Brian D. Lamkin*

**Review of the Greenwood County and Abbeville County**

# I. Executive Summary

In May 2021, the South Carolina Office of the State Inspector General (SIG) initiated a preliminary inquiry of the Greenwood County and Abbeville County First Steps offices at the request of the SC First Steps to School Readiness (SC First Steps) Board of Trustees (Board) based upon audit findings raised in the 2019 financial audits pertaining to conflicts of interest between the two First Steps partnerships and-profit, [Social Change Initiative](#), as well as the use of certain in-kind contributions. The SC First Steps also raised concerns over dual partnership employment, cash payments in lieu of fringe benefits, and a SC First Steps administrator.

## Background

The SC First Steps is a state entity and a non-profit organization that provides services and prepares children for school from the prenatal stage to entry into five-year-old kindergarten. The stated mission of SC First Steps is to “work collaboratively to ensure that all children start school ready to reach their highest potential with engaged support from their parents, caregivers, and communities” as outlined in its [2020-2025 Strategic Plan](#).

The Greenwood County First Steps (GCFS) and the Abbeville County First Steps (ACFS) are local non-profit organizations that use state, federal, and private funds to support programs to improve school readiness outcomes for children. In 2011, the two partnerships located their offices at one facility in Greenwood County in shared office space to reduce rent and utility costs for both partnerships. As with each local partnership, GCFS and ACFS operate as independent non-profits, each with a local Board and staff. Per statute, each county in South Carolina must be represented by a First Steps partnership Board.

Michael K. Gaskir became the GCFS executive director in 2001. He subsequently founded the non-profit [Social Charofitaub xe56 472.44 T151.9 Tm05.204 Tc 0.004\(\(t\)-2S10 \( \)\)T \(.\).](#)

4. An organization in which any of the above is an officer, director or employee;
5. A person or organization with whom any of the above individuals is negotiating or has any arrangement concerning prospective employment.

On 1/1/08, Gaskin entered into a dual partnership employment arrangement with ACFIS to serve as

partnerships for internal administrative costs and employees' time and salaries using state funds by statute. The SC First Steps Program Accountability Standards do not allow staff member time or costs as a allowable match for any partnership. The SCI contribution commitments were not allowable because in-kind contributions must be received and properly documented (ex. invoices, receipts, rates, how costs were calculated) in order to count towards a partnership 15% match requirement.

For FY 2019/20, SC First Steps notified both GCFS and ACFS the documentation provided by the partnership did not comply with the requirements for the match. Once notified by SC First Steps, ACFS adjusted its submission of expenditures to SC First Steps; however, no adjustments were submitted by GCFS. SC First Steps did not include the unallowable expenditures GCFS submitted in the match computations. Both partnerships met the match requirement for FY 2019 without the use of the disallowed match items.

### Compensation Comparative Study

Based upon the conflict of interest and kind contribution concerns raised in the 2019 financial audits, the SC First Steps office informed Gaskin stated that GCFS could no longer continue to work with SCI. As a result, Gaskin informed the GCFS Board that SCI would no longer conduct parenting and fatherhood workshops for GCFS, effective 9/30/20.

On 10/5/20, the GCFS Board discussed continuing the parenting and fatherhood workshops Gaskin developed for SCI in support of the First Steps program. The GCFS Board voted unanimously to increase Gaskin's salary \$7,500 per year plus a fringe benefit increase to 35.5% (cash payments in lieu of fringe totaling \$26,464) to continue providing these workshops as a GCFS employee, effective 10/1/20 and retroactive to 7/1/20.

The 2021 GCFS bylaws, Article V (Officers), Section VII (a)4 (Compensation) states in part, Officers and/or employees may be paid reasonable compensation commensurate with their duties, responsibilities and work. The Board of Directors or Committee determining compensation shall contemporaneously obtain and rely upon approval of (-2 (1/-12 (20 (y)20 (e)4 (ai)-2 (n anw20 (y)20 r)-1 (0 Td (-2 (1/-1))TJ vbe)-6 10 (e (-)-4v

The SIG determined the GCFS Board

## Way Forward

The SIG review identified the themes in this matter that are common themes found in other SIG reviews:

- x Failure to follow a policy, regulation or law
- x Poor documentation; and





## II. Background

### A. Predicate

On 5/26/21, the South Carolina Office of the State Inspector General (SIG) initiated a preliminary inquiry of the activity in the Greenwood County and Abbeville County First Steps offices, operating under the umbrella of the South Carolina First Steps School Readiness. The SIG initiated this preliminary inquiry at the request of the SC First Steps School Readiness (SC First Steps) Board of Trustees (Board) chair

### B. Scope and Objectives

The scope and objectives were to:

- x Determine whether conflicts of interest existed between and within Greenwood County and Abbeville County First Steps partnerships and a third organization, the Social Change Initiative;
- x Determine whether the executive director of the Greenwood County First Steps (GCFS) violated the dual employment provision of SC First Steps with Abbeville County First Steps (ACFS);
- x Determine whether matching funds documentation provided by the GCFS and ACFS partnerships complied with [the SC Code of Laws Title 59, Chapter 15D](#);
- x Determine whether the audits and SIG

The SC First Steps responsibilities outlined in [SC Code of Laws, §§152-50, 59152-60 and 59152-150](#) include

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Pruitt stated she did not believe an ACFS Board member also serving on the SCI Board was a conflict of interest because SCI provided different services as ACFS.

### Lillian Thomas– GCFS Board Chair

Lillian Thomas advised she has been a member of the GCFS Board approximately twelve years, and she has served as the Board chair for “a couple of years.”

When asked by the SIG if she considered Gaskin serving as the GCFS executive director and SCI CEO a conflict of interest, as delineated in the grant agreement and laws, Thomas stated, “I don’t think so.” Thomas stated the members of the Board annually sign a conflict of interest form, but she does not recall this issue ever being discussed during Board meeting.

Thomas was asked if she was aware three GCFS Board members were also on the SCI Board and they have motioned and voted on issues for GCFS that affected SCI employees. Thomas stated she was aware that one of the GCFS Board members was an SCI Board member, but she confirmed she and another GCFS Board member had been “on and off” the SCI Board during the past eleven years. Thomas agreed that it is a conflict of interest to be a member of the GCFS Board while serving concurrently on the SCI Board.

### Charles Costner ACFS Board Chair

Charles Costner advised he has been involved with the ACFS Board for approximately 14 years. Costner has held the positions of chair, vice-chair, a member of the finance committee, and regular Board member.

Costner stated he was aware that Pruitt is the ACFS executive director involved with SCI. Costner advised when the Board reviewed Pruitt’s positions with both organizations the ACFS Board never considered her dual roles to be a conflict of interest because they were able to keep things separated. Costner stated he could see from an outsider’s viewpoint that there is a perception of a conflict of interest, but stated it has been a positive working relationship for both organizations.

Costner stated he is aware of the 2021 Grant Agreement, Section 11 (“Responsibilities of the Partnership”), but stated the Board never “dug” into it any deeper to see if there were issues because they never thought there were any issues. Costner stated the Board is not proactive, but more reactive. Costner stated the Board was never made aware of any issues concerning conflict of interest. The SIG noted that the Scott and Company audits were provided to the ACFS Board.

Costner informed the SIG he knew one ACFS Board member was a member of the Abbeville County School Board, but was not aware that he also served on the Board since its inception. Costner stated the ACFS Board never asked their members if they were a member of the Board. Costner stated if the board members recused themselves from issues that posed a conflict, and handled themselves professionally, then there would not be any issues with conflict of interest. Costner stated he understood a conflict of interest existed if a board member voted on procurement issues as members of both organizations.

On 4/29/21, the ACFS Board executive committee met and unanimously agreed to sever all ties with SCI to address the conflict of interest issue raised by the auditors. First Steps.

The SIG determined three GCFS Board members and one ACFS Board member

A diagram of the interrelationships of GCFS, ACFS and SCI can be found in [Appendix B](#) of this report.

#### D. Summary Analysis

The 2019 financial audit succinctly stated, “Per the grant agreement, Local Partnership employees may not contract with the partnership or its contractors for services outside their employment with the partnership, and may not provide services as both an employee and contractor or vendor of the partnership. In addition, Local Partnership employees may not participate in agreements with contractors or vendors with whom the employees have a financial interest.”

The SIG review determined Gaska, as the GCFS executive director and SC CEO, managed and administered both sides of at least one contract (MOA) with the two organizations which did not comply with the Section 11, (AA) of the 2021 grant agreement, and Section 21, (B) of the 2012 grant agreement with SC First Steps and Article VI, Section VI (j) of the GCFS bylaws regarding conflicts of interest.

The SIG review determined Pruitt, as the ACFS executive director and SC CFO, administered both sides of at least one contract (MOA) with the two organizations which did not comply with the Section 11, (AA) of the 2021 grant agreement, and Section 21, (B) of the 2012 grant agreement with SC First Steps, and Article VI, Section VI (j) of the ACFS bylaws regarding conflicts of interest.

The SIG review identified three GCFS Board members and one ACFS Board member who have been, or are currently SCI Board members. The SIG determined that all have motioned and voted on issues as members of

Partnership, number and schedule of hours of work with the other Local Partnership, and areas of responsibility(ies) to be performed. If the employee's dual employment may require an alternate work schedule flexible schedule outside of normal Partnership work hours, the revised schedule must be included in the request for dual employment. The request must be submitted to the Partnership Board for consideration and approval, and must be copied to the Partnership's Technical Assistant at SC First Steps to consideration and approval by the Partnership Board. The Board Minutes should reflect the Board's consideration concerning the effect of the dual employment on the employee's efficiency and impact on the employee's and other employees' provision of services pursuant to this Agreement. A record of the Board's consideration and approval should also be maintained in the employee's personnel records.

2. Employees approved for dual employment must keep weekly time sheets documenting all spent each day on First Steps activities in furtherance of this Agreement. These time sheets must be submitted for each respective First Steps Partnership, signed by the employee's supervisor, and submitted to the First Steps Regional Finance Manager on a biweekly basis, and shall be maintained in the employee's Partnership personnel file, available for audit and inspection at the request of SC First Steps
3. Employees must resubmit dual employment requests for approval annually.

#### A. Michael Gaskin – GCFS/ACFS Dual Employment

On 1/1/08, Gaskin entered into a dual partnership employment arrangement with ACFS to serve as a fatherhood administrator conducting parenting workshops for the ACFS. Gaskin signed a MOA with ACFS that listed the effective dates of the agreement, his compensation, and his duties as a fatherhood administrator. The MOA was annually renewed and signed by Gaskin and the ACFS Board over a three-year period. A fourth MOA was renewed and signed in July 2021 for a six-month period.

Gaskin acknowledged he signed all of the MOAs regarding his dual employment. Gaskin stated he submitted time sheets as required starting in 2008. Gaskin confirmed he did not submit time sheets for his dual employment for the period of 2018 – 2021. Gaskin stated he did not submit time sheets for the period of July 2020 – February 2021, even though the time sheets were submitted in his name. Gaskin advised the SIC information represented on the July 2020 – February 2021 time sheets was not accurate. Gaskin stated that Pruitt advised him time sheets were not required to be submitted to Manley because she submitted the hours of ACFS employees to the Abbeville County School District for payroll processing.

#### B. Inaccurate Timesheets

In accordance with his ACFS employment agreement, Gaskin's wage rate was established at \$50 per hour with a cap of \$14,400 per quarter. That rate of pay fell within the parameters of the contract. However, based on the time sheets Pruitt provided, the salary paid to Gaskin between February 2021 – June 2021 was substantially more than the hours he actually provided for fatherhood and parenting workshops during that period.

In June 2021, Gaskin received a \$3,450 (150%) salary increase from \$2,300 from ACFS. Pruitt stated that during the pandemic, Gaskin did not take his salary for several months from ACFS so Pruitt was able to pay other employee salaries and monthly expenses. Pruitt commented, "He has given a lot back every year. He just likes what he does."

Although all local partnerships received full formula funding during the pandemic and Pruitt applied for and received federal Paycheck Protection Program (PPP) funding (\$22,400) to help pay rent and salaries, Pruitt stated she was unable to maintain a balanced budget and pay ACFS expenses. Pruitt utilized some of the PPP funding she received to pay Gaskin for the months that he declined a salary from ACFS.

Pruitt stated she did not request that her employees prepare or submit time sheets. Pruitt admitted when the SC First Steps office insisted she provide time sheets for Gaskin, as required by the grant agreement, she created time sheet documents without Gaskin seeing the documents or signing the documents.

Pruitt stated she mistakenly submitted inaccurate time sheets to SC First Steps because she documented in-kind time, which inflated the hours Gaskin worked. Pruitt stated she had SC First Steps she did not start keeping electronic time sheets until 3/1/21 for all employees of ACFS, including herself.

### C. Summary Analysis

The SIG determined Gaskin did not violate the dual employment provision of allowed by SC First Steps; however, the SIG identified deficiencies in documentation by Gaskin and the Boards for GCFS and ACFS.

The SIG reviewed Board minutes provided by ACFS and GCFS regarding Gaskin's dual partnership agreement for the period of 2012-2021. The SIG determined the GCFS Board voted on and approved Gaskin's dual partnership agreement in FY 2017 – 2021, as required in the SC First Steps grant agreement. The SIG determined the ACFS Board reviewed and mentioned that Gaskin provided fatherhood workshops for ACFS, but voted and approved Gaskin's dual partnership agreement separately or as part of their annual renewal plan in FYs 2014, 2018, and 2020.

The SIG determined Gaskin did not complete the appropriate time sheets for either GCFS or ACFS in his dual employment for both organizations as required in the grant agreement. Without appropriate and accurate time sheets, the GCFS Board Chair and the ACFS executive director could not ensure Gaskin was not paid for hours he did not work as fatherhood administrator.

The SIG determined Pruitt did not request time sheets from Gaskin required in the grant agreement, and created time sheets when SC First Steps asked for proof and documentation of hours worked by Gaskin for his dual employment. The direct dual employment income paid to Gaskin for FY 2019-2020 and FY 2020-2021 was more than \$30,000, along with additional costs of retirement, insurance, and other fringe benefits. The existing documentation did not support this level of work for ACFS.

## V. Review of GCFS and ACFS In-Kind Donations

### A. Annual Match Requirements

State appropriated grants are awarded annually to the 46 partnerships based on a formula of each county's demographics, which is approved by the SC First Steps Board. Local First Steps partnerships are encouraged to seek additional private donations, in-kind donations, and to apply for federal grants. These three sources of funds are used to meet the 15% minimum match requirement set forth in the [SC Code of Laws § 5952-130\(A\)](#). The SC First Steps Board may decrease this percentage requirement based on the partnership's capacity to provide that match.

Matching funds are defined as any funding source other than state appropriated. Private donations, in-kind donations, or federal dollars count towards a partnership's 15% match requirement. Only in-kind donations, as defined by the standard fiscal accountability system provided for in [SC Code of Laws § 58-550](#) that meet



the criteria established by the SC First Steps Board and that are quantifiable, may be applied to the in-kind match requirement.

The SC First Steps established guidelines and reporting formats for partnerships for documenting expenses to ensure they met the matching fund requirements. Per the [SC First Steps Operations Manual](#), the two types of contributions are as follows:

- x In-kind contributions of services are those provided by an individual with specialized skills. In order to be counted as an in-kind contribution towards the match requirement, these services must be those that otherwise would have to be purchased in order to conduct First Steps funded programs. They are generally reported at the individual's billable rate.
- x In-kind contributions of goods are gifts of supplies, equipment, or other assets. In order to be counted as an in-kind contribution towards the match requirement, these goods must be those that otherwise would have to be purchased in order to conduct First Steps funded programs. They are reported at fair market value.

The [SC First Steps Operations Manual](#), Section 6, page 10 states, "In-kind match contribution must be identifiable, quantifiable and measurable. For audit purposes, accounting records should demonstrate that calculations used to quantify the in-kind match are reasonable and that the contribution was necessary for the operation of the program." Per the SC First Steps, the in-kind match is determined based on the partnership's total expenditures which may include carryforward funding.

#### B. GCFS and ACFS Funding Sources

Each First Steps partnership may apply for, receive, and expend federal, state, and local funds, grants, and other funding in order to improve programs as provided in the [SC Code Laws § 59152-25 \(A\)](#). The SC First Steps holds local county partnerships accountable for the approved use of funds allocated to them or raised by the partnership in the agency's name, and reserves the right to freeze any appropriated funds when budgetary fiscal concerns are serious in nature, in the sole opinion of the SC First Steps Board of Trustees. [SC Code of Laws § 59152-130 \(B\)](#) requires that an annual report be completed by the SC First Steps which documents the value of the match amounts for audit purposes.

As a condition of receiving state funds, local partnership must agree to the following terms and conditions:

C. Assessment of In-Kind Donations Reported by GCFS and ACFS

Scott and Company raised concerns during the FY 2019 financial audit about the validity of match documentation, required in statute, provided by both GCFS and ACFS. These same concerns have been identified in the incomplete ("draft") of the FY 2020 financial audit.

The SIG determined that both partnerships reported unallowable in-kind resources in FYs 2017-18 and 2018-19 based on contribution commitments.



### C. Summary Analysis

The SIG determined the dual employment provision allowed by SC First Steps does not prohibit a First Steps employee from receiving fringe benefits from both partnerships. The benefit of a local partnership arrangement with the local school district for the processing of First Steps payroll affords the First Steps employee the ability to acquire state health insurance and participate in the state retirement program. The salary and fringe benefits are paid with First Steps funds.

In contrast, local partnerships without the local school district arrangement afford First Steps employees the ability to participate in the state health insurance and retirement programs. It falls to the local partnership Board to provide the fringe benefits directly to the First Steps employees. Consequently, Gaskin's dual employment with GCFS and ACFS resulted in Gaskin receiving fringe benefits through both avenues.

The SIG's review of the cash in lieu of fringe topic primarily focused on the two prior FYs (2020 and 2021). The SIG expanded this review back to FY2017 and SIG determined the GCFS Board approved the partnership's annual spending plan for each of these years. These approved spend plans set forth the base salaries and fringe benefits paid to Gaskin and other GCFS employees.

The SIG's review of GCFS Board minutes determined the GCFS Board did not conduct a compensation comparability study required by the GCFS partnership bylaws when it increased Gaskin's salary in October 2020. Regardless, the SIG determined the GCFS Board approved Gaskin's salary increase to conduct fatherhood and parenting workshops in support of the First Steps program as a GCFS employee and therefore was an appropriate use of state funds and not a conflict of interest.

### VII. Corrective Action Plans and Competitive Grants

In 2018, the SC First Steps implemented a corrective action plan process at the state level for local partnerships, which is reflected in the [GCFS FY21 Partnership Grant Agreement](#) Section 11 (Responsibilities of the Partnership), ( F) and ( G). The corrective action plan assists the SC First Steps ensure local partnerships improve compliance and accountability. A corrective action plan is developed by the local partnership and includes the proposed dates for the partnership to complete the corrections.

In 2018, the SC First Steps implemented the process for local partnerships to apply and compete for competitive and targeted grants. Competitive and targeted grants are supplementary federal or private funds and grants obtained by the SC First Steps assist local partnerships with additional funding. In April 2021, the SC First Steps Board voted to restrict non-compliant local partnerships from applying for competitive and targeted grants. The SC First Steps Board voted in August 2021 to continue this restriction for all local partnerships that have not completed their corrective action plans or are under an active investigation.

The [2019 Financial Audit](#) conducted by Scott and Company, identified concerns and issues related to in-kind donations and conflict of interest with both GCFS and ACFS. The GCFS and ACFS partnerships were notified by SC First Steps on 10/9/20 to submit corrective action plans regarding the identified deficiencies in the audits. The SC First Steps identified an additional 2 (e)v (udi)-12 (t S)-2 ixr(a)4 (c)4 2Tc 0.1m (r(a o2.14 0 Td ( )



- x Poor documentation; and
- x Poor communication.

In this matter, a conflict of interest existed when GCFS did not comply with the SC First Steps grant agreement and bylaws as it related to its relationship with Gaskin's executive leadership of GCFS and his own non-profit, SCI, blurred the lines of oversight and decision making which the SC First Steps grant agreement and bylaws specifically prohibited. Gaskin had a financial interest in the success of both groups even though the Boards for GCFS and SCI approved of the arrangement. The participation of GCFS and ACFS Board members serving concurrently on the SCI Board blurred the lines even further.

On 1/1/08, Gaskin entered into a dual employment agreement with ACFS to serve as the fatherhood administrator to deliver fatherhood and parenting workshops. Gaskin signed a MOA with ACFS that stated the effective dates of the agreement, compensation, and his duties as fatherhood administrator. The GCFS Board annually voted on and approved Gaskin's dual partnership employment as required in the SC First Steps grant agreement. The ACFS Board was inconsistent, only voting and approving his dual partnership employment three times.

The SIG determined payments made to Gaskin as the GCFS executive director were based on inaccurate time sheets, and did not equate with the actual hours he worked providing parenting and fatherhood workshops.

The GCFS and ACFS partnerships reported unallowable indirect resources based on contribution commitments from SCI and a cost allocation methodology between the two partnerships for internal administrative costs and employees' time and salaries using state funds that were allowed by statute. The SIG determined match documentation provided by both First Steps partnerships did not comply with the [SC Code of Laws Title 59, Chapter 152](#).

The SIG review of the audit process and investigative referral regarding GCFS and ACFS was motivated by bias on the part of the SC First Steps administrator. The SIG determined that the SC First Steps administrator routinely made audit referrals regarding other local partnerships during a meeting held with the auditors each year, and did not specifically target GCFS or ACFS.

The SIG determined inequities existed among the partnerships in staff participation in state health and retirement programs. For those partnerships with an agreement with local school districts to process payroll for the partnership these staff members are afforded the opportunity to participate in these state benefit programs under PEBA; whereas, those partnerships without this arrangement with their local school districts were not afforded this opportunity. The SC First Steps program would benefit from a "level playing field" for all local partnerships that provides staff the opportunity to participate in these PEBA programs. This would be a worthy goal to pursue for First Steps staff.

Communication and documentation are key to resolving these issues. The lack of proper documentation by the Boards, inaccurate time sheets, and failure to adhere to the provisions of the grant agreement and partnership bylaws only exacerbated the scrutiny of the partnerships and their relationship with SCI. This problem is not insurmountable, but it requires a focused effort on part of the local partnerships and the SC First Steps office to resolve matters to the benefit of those most affected by these shortfalls – the children (future students) of Greenwood and Abbeville counties.

The SIG wishes to extend its gratitude to the staff of GCFS, ACFS, SC First Steps by Garvin and Scott and Company for the courtesies afforded to the SIG during this review.

## X. Findings and Recommendations

Finding #1a: Gaskin's concurrent employment as the GCFS executive director and SCI CEO did not comply with the SC First Steps grant agreement and partnership bylaws as it pertained to conflicts of interest.

Finding #1b: Pruitt's concurrent employment as the ACFS executive director and SC CFO did not comply with the SC First Steps grant agreement and partnership bylaws as it pertained to conflicts of interest.

Finding #1c: Three GCFS Board members and one ACFS Board member have been or are concurrent SCI Board members. All four Board members did not comply with the SC First Steps grant agreement and partnership bylaws as it pertained to conflicts of interest.

## List of Appendices

[Appendix A:](#) FY12 Grant Agreement between the South Carolina First Steps to School Readiness and Greenwood First Steps to School Readiness

[Appendix B:](#) FY21 Grant Agreement between the South Carolina First Steps to School Readiness and Abbeville First Steps to School Readiness

[Appendix C:](#) Bylaws of Greenwood County First Steps to School Readiness Partnership

[Appendix D:](#) Bylaws of Abbeville County First Steps to School Readiness Partnership

[Appendix E:](#) Diagram of the Interrelationships of Greenwood and Abbeville County First Steps and Social Change Initiative