



June 2011

## SC STATE UNIVERSITY

### A REVIEW OF CONSTRUCTION OF THE JAMES E. CLYBURN UNIVERSITY TRANSPORTATION CENTER AND TRANSPORTATION CENTER PROGRAM EXPENDITURES

#### TRANSPORTATION CENTER

- The center is projected to cost \$107 million to complete, but only \$24 million of federal funds are currently available. About \$3 million of matching funds must be provided, and an additional \$80 million of federal, state, or private money must be raised or appropriated to complete the center. SCSU does not have a detailed, viable plan to obtain these funds.
- Construction delays have been caused by a lack of proper oversight, inexperience with federally-funded projects, and insufficient staff; agency documents indicate that even if the entire project were to be funded, it would not be completed until 2020.

#### TRANSPORTATION PROGRAMS

- The University lost its designation as a Tier I center due, in part, to the University's performance; losing this status cost the University more than \$3 million in additional federal funding and resulted in cutbacks in academic programs. (See 'Loss of Designation')
- Inadequate financial controls have resulted in insufficient state matching funds for the program, unwarranted travel reimbursements, and overbillings.

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## SC STATE UNIVERSITY

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# Introduction and Background

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## Audit Objectives

Members of the General Assembly requested the Legislative Audit Council to conduct a review of the James E. Clyburn University Transportation Center (JECUTC).

Our objectives for this report were to:

- Determine how grant funds associated with the transportation center were expended and whether they were expended in accordance with the grant objectives, federal policy, and state law.
- Examine the impact of the loss of the designation as a Tier I transportation center on the funding of programs at the center.
- Determine how funds for the construction of the transportation center were expended and if they were expended in accordance with federal and state requirements.

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## Scope and Methodology

The period of this review was generally 1998 through early 2011. For our review of program expenditures, we focused primarily on calendar years 2007 through 2009. Our review of the construction of the JECUTC generally covers the years 2002 to 2011. Information contained in this report was obtained from a variety of sources including:

- Interviews with SC State University (SCSU) staff.
- SCSU financial records.
- Federal regulations concerning use of grant funds.
- Interviews with the staff of the Federal Highway Administration, the Budget and Control Board's (B&CB) Office of State Engineer, and other state agencies.
- Real estate records.
- Minutes of SCSU board meetings and construction progress meetings.
- A draft internal audit of construction operations and audit workpapers.

Criteria used to measure performance included federal regulations and agency policies. When addressing our objectives, we relied on financial data maintained by SCSU. Where possible, we compared this data to other agency records, including invoices and vouchers to determine its validity. When viewed in relation to other evidence, we believe the data used in this report is reliable.

We conducted this performance audit in accordance with generally accepted government auditing standards with the exception of the general standard concerning quality control. Due to LAC budget reductions, funding was not available for a timely external quality control review. In our opinion, this omission had no effect on the result of this audit.

Those generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Reviews by Outside Agencies

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During the course of our review, other state and federal auditors were examining certain grant expenditures related to the University's transportation program. The results of these reviews have yet to be released. To the extent possible, we coordinated with these auditors to assess their potential findings and recommendations, and to determine their criteria for "allowable cost." The following summarizes the work of other entities.

At the request of the Federal Highway Administration (FHWA), in September 2010, the Office of the Inspector General (OIG) in the federal Department of Health and Human Services (HHS) conducted a review of one cooperative agreement and three grant awards totaling approximately \$12 million in federal funds.

In addition, the S.C. Department of Transportation's Office of Contract Assurance reviewed program expenditures associated with the Summer Transportation Institute and the Transportation Careers Training Program. Federal funds for these programs were over \$400,000.

We excluded the agreement and grants examined by these agencies from our review. In addition to these ongoing reviews, other audits and reviews of the University's transportation program and the University's financial controls have been conducted. In 2006, HHS's OIG reviewed the expenditure of funds under a cooperative agreement for the National Summer Transportation Institute Resource Center.



This audit focused on costs claimed for reimbursement and set aside \$6,046,320 of the \$6,124,584 for adjudication. Adjudicated costs are costs for which there was not any documentation to establish the need for the cost element or to document the cost. The audit also recommended that SCSU be designated a high-risk auditee.

SCSU has been working with FHWA to resolve the 2006 audit. SCSU submitted the project closeout reports to FHWA in September 2010. However, as of April 2011, the audit resolution process was not complete. SCSU has not been reimbursed by FHWA for approximately \$312,000 in expenditures associated with the audit (see p.36). SCSU was designated as a high-risk auditee until 2008.

In 2010 the S.C. State University Board of Trustees mandated an external review of the University's student and grant receivables. The review was completed in June 2010 and included 44 recommendations. The SCSU board reviewed this report at its September 2010 board meeting. An ad-hoc committee has been established and tasked with resolving the deficiencies identified in the report. An action plan was developed to ensure corrective action occurs and status reports have been provided to the President and Board of Trustees (BOT). The next status report will be provided to the President and BOT in June 2011.

As part of its annual audit plan, SCSU's Office of the Internal Auditor has conducted a review of construction operations at the University. A draft report was prepared in September 2009, but has not yet been finalized. Among the key recommendations are that management develop formal written policies to govern the management of construction projects and work with all parties to ensure that, to the extent possible, there are no further delays or cost overruns for the JECUTC.

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## Background

The University's transportation center was established in 1998 as a Tier I University Transportation Center (UTC) under the Transportation Equity Act for the 21<sup>st</sup> Century. Its purpose is to assist federal, state, and local governmental agencies in meeting their goals to develop a highly skilled workforce to meet the future needs in transportation. As a Tier I program, the University was able to receive federal funds to conduct research, and other federal funds have been used to support the transportation center. SCSU has established a number of programs as part of the center, including:

- The Master of Science in Transportation Program – This is the only program of its type in the state.
- Summer Transportation Institute – This program is designed to create awareness and stimulate the interest of high school students in careers in transportation.
- FIRST Tech Annual Robotics Competition – This program is a robotics competition for high school students.
- Research projects – The center has supported a number of faculty research projects involving transportation over the years.

SCSU was unsuccessful in its attempt to renew its designation as a Tier I UTC in 2006 (see p.25).

In addition to operating academic programs designed to further the field of transportation, SCSU is also constructing the James E. Clyburn University Transportation Center. When completed the center will consist of six buildings comprising almost 200,000 square feet of space for research, office space, conference space, and guest quarters. The center has an estimated cost of over \$100 million and a projected completion date of 2020.

# Construction of the James E. Clyburn University Transportation Center

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One of our audit objectives was to determine how funds for the construction of the James E. Clyburn University Transportation Center (JECUTC) were expended and if they were expended in accordance with federal and state requirements. We found that, as of March 2011, SC State University (SCSU) had expended approximately \$8 million of the approximately \$24 million in federal funds available for construction of the JECUTC. The balance is retained by the Federal Highway Administration (FHWA) and will be paid to SCSU as expenses for construction of the center are incurred.

We reviewed expenditures associated the construction of the center as well as certain transportation programs to address allegations of more than \$50 million in “missing funds.” We did not find evidence of missing funds but did find questionable expenditure of funds. We found expenses in the amount of \$240,000 that have been improperly billed to the FHWA. SCSU corrected these errors by deducting this amount from its reimbursement requests (see p. 11).

SCSU states that it intends to use a portion of \$2.5 million appropriated to it from the Lottery Expenditure Account as match for construction costs. These funds are appropriated by the General Assembly for “...education purposes and programs...and must be used to supplement and not supplant existing funds for education.” SCSU does not have detailed plans in place to raise the approximately \$80 million needed to complete the entire project.

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## JECUTC Buildings

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In 1996, SCSU established the Center of Excellence in Transportation (COET) to advance research and scholarship in the area of transportation. In 1998, SCSU was designated as a Tier I University Transportation Center. Over time, the growth in transportation-related programs and staff resulted in the need for increased space. This eventually led COET staff to propose the creation of the Southern Rural Transportation Multi-Disciplinary Research and Conference Center. In June 2003, SCSU’s Board of Trustees voted to rename the center, the James E. Clyburn Transportation Research and Conference Center.

The center is a special purpose facility designed to support the mission and programs of the COET. When completed, the center will contain six buildings totaling approximately 197,000 square feet along with a 720-space parking deck. The current project management plan calls for the buildings to be constructed in the following order.

Transit Research Center & Chiller Plant (Funded)

The transit research center (TRC) consists of 10,590 square feet and is designed to be a vehicular research and training center. The TRC contains a vehicle bay area with three research bays, a wash bay, and a recessed observation research area. There is also an administrative and training area. The chiller plant will cool the entire JECUTC.

Emily E. Clyburn Archives Center (Funded – Requires State Match)

A three-story building comprised of 22,000 square feet of space for research, archival storage, and administrative functions makes up the archives center.

Conference Center (**Not Funded**) – Est. Cost - \$14.8 Million

The conference center is comprised of approximately 27,200 square feet. It will contain a large multi-purpose room which can accommodate up to 800 people in a banquet-style seating arrangement. There will also be seminar and breakout rooms, an executive dining room, a general service dining room, and small full-service kitchen.

Parking Deck (**Not Funded**) – Est. Cost - \$12.7 Million

The parking deck will have six floors of parking with 720 total spaces.

Laboratory Building (**Not Funded**) – Est. Cost - \$17.6 Million

This building will be a three-story building comprised of 46,800 square feet. It will contain chemistry labs, computer labs, a G.I.S. lab, flexible dry lab spaces, and high bay labs with vehicle access doors.

Guest Quarters (**Not Funded**) – Est. Cost - \$10.5 million

This is a four-story building comprised of 22,500 square feet and will contain approximately 30 rooms.

Administrative Building (**Not Funded**) – Est. Cost - \$27.6 Million

This is a three-story building comprised of approximately 67,900 square feet. It will contain the offices of various programs, including the COET, the JECUTC, the master of science in transportation program, and Summer Transportation Institute. It will also house conference facilities and administrative functions.

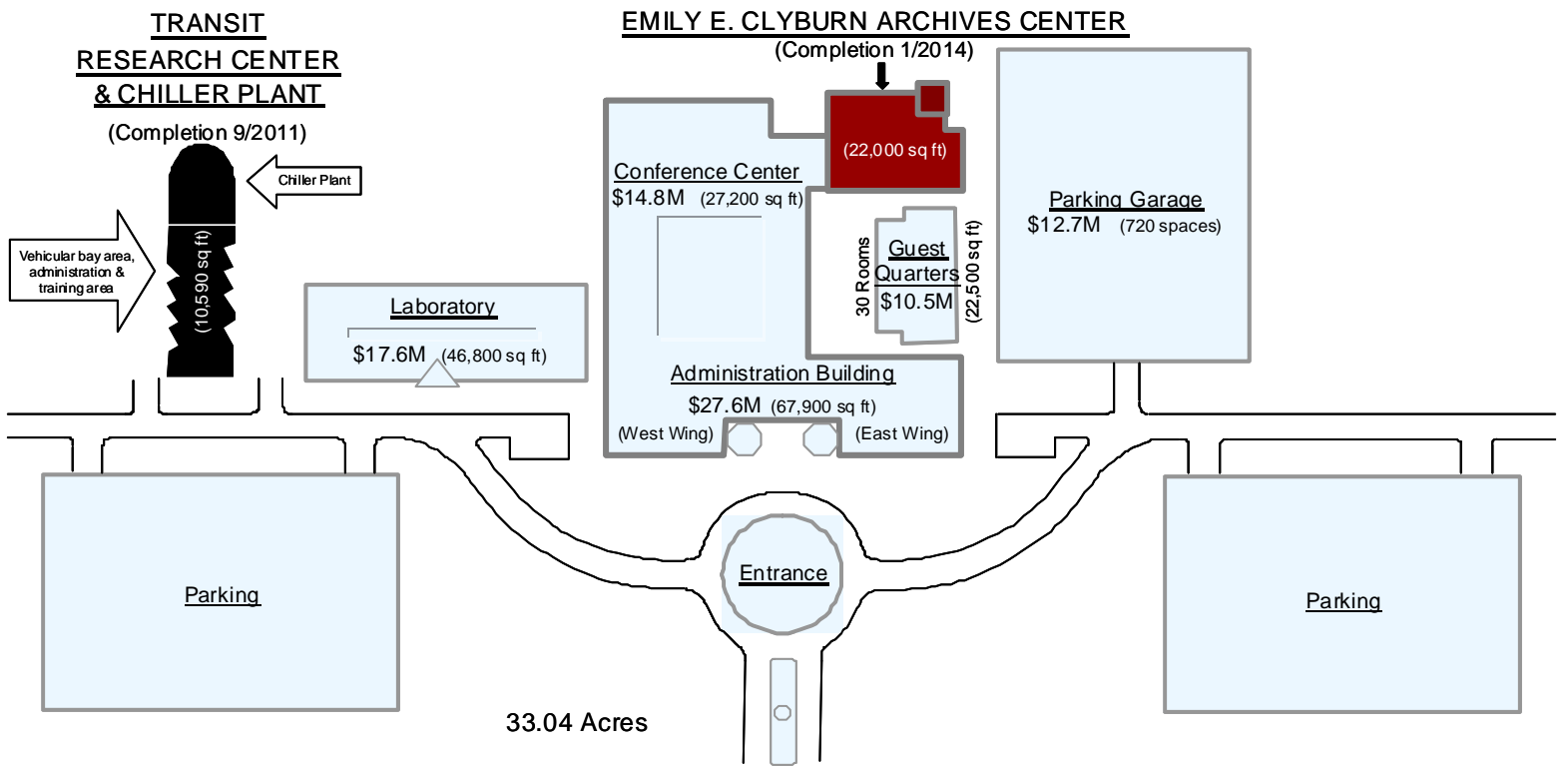
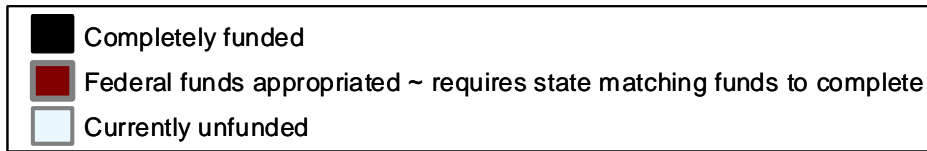
The center was designed to be built in two major phases. SCSU currently has sufficient funds to complete Phase 1 of the JECUTC which contains over 30,000 square feet. This phase consists of four sub-phases:

- Phase 1A – Site Preparation
- Phase 1B – Transit Research Center & Chiller Plant
- Phase 1C – Site Finishing Packaging and Partial Loop Road
- Phase 1D – Archives Center & Library

Phase 1A was completed in 2008. Phases 1B and 1C are scheduled to be completed in September 2011. Phase 1D has a projected completion date of January 2014. The remainder of the project, though not funded, is scheduled to be completed in 2020 (see Construction Diagram on next page).

## Transportation Center Construction Diagram

Summary of Buildings and Funding for the  
 James E. Clyburn University Transportation Center



About 5% of the building square footage is completely funded, 11% is partially funded, and funding has not been secured to pay for 84% of the remaining space.

Source: Project Management Plan and Phasing Plan

## Funding for Phase 1

Each year between 2002 and 2005, SCSU received federal funds through Congressional designation (earmark) to assist in the construction of the center. As of March 2011, \$24,097,233 had been obligated for the JECUTC. Also, SCSU is required to provide matching funds in the amount of \$3,072,028. In addition, in 2002, SCSU received a \$200,000 grant from the Department of Housing and Urban Development to assist with planning, engineering, and construction management of the transportation center. Thus, total funds available for construction of the center as of March 2011 amounted to \$27,369,261(see Table 2.1).

Table 2.1: Funding for JECUTC

YEAR	FEDERAL FUNDS	REQUIRED SCSU MATCH*	TOTAL
2002 (HUD)	\$200,000	\$0	\$200,000
2002	8,857,338	0	8,857,338
2003	7,608,630	1,902,158	9,510,788
2004	2,951,785	0	2,951,785
2005	4,679,480	1,169,870	5,849,350
<b>TOTAL</b>	<b>\$24,297,233</b>	<b>\$3,072,028</b>	<b>\$27,369,261</b>
<b>EXPENDITURES AS OF MARCH 2011</b>			
HUD			\$200,000
FHWA			7,813,575
<b>TOTAL</b>			<b>\$8,013,575</b>

\* SCSU management plans to use lottery funds appropriated to SCSU for education purposes to meet the match requirement.

Source: FHWA and SCSU documents.

To ensure that federal funds are only used for eligible expenses associated with the center, the project was designated for FHWA oversight. This means that certain project milestones require prior FHWA approval. In addition, SCSU receives the federal funds on a reimbursable basis, after authorized and eligible expenditures have been incurred. As of March 2011, SCSU had been reimbursed \$7,813,575 by FHWA for expenditures associated with the construction of the center. The remaining federal funds are held in the National Highway Trust Fund and will only be paid to SCSU after actual construction costs are incurred.

## State Match

As shown in Table 2.1, SCSU does not have to provide any matching funds until after almost \$9 million in federal funds have been expended. We reviewed whether SCSU had identified a source of matching funds for the JECUTC. SCSU responded that it had identified \$568,460.82 in matching funds, including both cash and in-kind match.

We reviewed the items identified as match by SCSU and found that several did not qualify. For example, SCSU stated \$339,650 of property owned by SCSU and designated as part of the JECUTC would be counted as in-kind match. However, upon further review, we found that SCSU had been reimbursed by FHWA in FY 05-06 for the purchase of this property and thus it cannot be counted as match. In addition, SCSU purchased property on Russell Street in 2006 using state funds. SCSU stated that this property would be counted as match. However, in January 2011, SCSU was reimbursed by FHWA for the cost of this property therefore preventing it from being used as match. Finally, SCSU intended to count funds used to purchase another piece of property on Russell Street as match. However, upon further review, it was determined that this property is not part of the land to be used for the center and thus, cannot be counted as match.

SCSU also identified expenditures associated with a traffic study, survey work, and engineering costs for a water line as potential match. Upon further review, it was also determined that these items do not qualify as match, since they either have already been reimbursed by FHWA or are not considered part of the JECUTC.

Based on an estimated Phase 1 completion date of January 2014, SCSU will need to provide over \$3 million in state matching funds between July 2011 and January 2014. Because SCSU receives federal funds on a reimbursable basis, it will have to expend funds for eligible costs up front and then seek reimbursement from FHWA. SCSU will then only be reimbursed for 80% of those costs. Also, as noted above, SCSU has been seeking reimbursement from FHWA for items originally intended to be used as match, thus necessitating that SCSU replace these expenditures with current or future expenditures.

SCSU states that it intends to use a portion of \$2.5 million appropriated to it from the Lottery Expenditure Account as match for construction costs. These funds are appropriated by the General Assembly for "...education purposes and programs....and must be used to supplement and not supplant existing funds for education." SCSU officials state that these funds are unrestricted and can be used for any purpose. SCSU plans, beginning in FY 11-12, to allocate \$750,000 annually from these funds to be used as match. The funds will be transferred to the JECUTC account and restricted to be used for construction match. It is important that SCSU identify funds to be used as match in order to help avoid delays in completing construction of Phase 1 of the JECUTC.

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## Funding for Completion of JECUTC

SCSU does not currently have a viable detailed plan to raise the funds needed to complete the JECUTC. The estimated cost of the entire JECUTC has increased from \$82 million in 2006 to \$107 million in August 2010. SCSU has obtained sufficient federal funding to complete the transit research center and the archives building, leaving a shortfall of approximately \$80 million.

The funding obtained for the center so far has come almost entirely from federal funds through Congressional earmarks. SCSU has stated that it expects over 90% of the funds required to build the center will come from the federal government with the balance coming from state and private sources. We inquired as to whether SCSU had developed any written fundraising plans to obtain the balance of the funds needed to complete the center. SCSU responded that it has made funding requests to a Congressman and to the state legislature. However, in February 2011, the Congressman informed SCSU that a moratorium had been placed on funding for Congressionally-designated projects.

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## Conclusion

A number of factors make obtaining additional funding for the project more difficult. Significant delays in the start of construction have impacted the University's ability to obtain additional funding (see p. 12). Construction meeting minutes as far back as August 2004 state that there is a need to proceed expeditiously with construction in order to obtain additional funds. The loss of the Tier I designation may also make it more difficult to justify additional federal funding for construction.

The availability of additional federal funding needed to complete the transportation center in the next several years is questionable. In addition, SCSU will have to provide \$3 million in state matching funds at a time of limited state resources. SCSU does not have an alternative strategy in place for completing the center without federal funds. Thus, even the currently projected date of 2020 for completion of the entire center may not be met.

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## Recommendations

1. SC State University should ensure that it has funds available to be used as state match for the James E. Clyburn University Transportation Center.
2. SC State University should develop a plan to identify funds to be used for completion of the James E. Clyburn University Transportation Center.



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## Reimbursement Requests

SCSU received reimbursement for the same expenditures from both the Housing and Urban Development (HUD) grant and FHWA. In 2002, SCSU received a grant from HUD for \$200,000 that was to be used for planning, engineering, and construction of the transportation center. In 2006, as a result of an internal audit, SCSU became aware that it had not drawn down any of the available HUD funds and that the HUD grant was about to expire. In order to avoid the loss of these funds, SCSU staff mistakenly submitted to HUD a reimbursement request which included expenditures for which SCSU had already been reimbursed by FHWA. These expenditures were comprised primarily of payments for architectural and engineering services and SCSU staff salaries.

SCSU did not discover this duplicate billing until 2010, when SCSU performed a reconciliation in response to an LAC request to identify funds that were to be used as match for the FHWA grant. SCSU management stated it intended to deduct the \$200,000 from its next reimbursement request to FHWA, but this was not done until March 2011.

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## Land Acquisition Costs Billed in Error

SCSU improperly billed FHWA for \$40,000 in land acquisition costs. In 2006, SCSU submitted a reimbursement request to the FHWA for \$339,650 for land acquisition costs for the JECUTC. This was for costs associated with the purchase of several pieces of property for the JECUTC. It also included \$40,000 in initial costs for property that SCSU did not purchase. Since this property was not part of the JECUTC, SCSU should not have billed FHWA for these costs. After our inquiry into the land purchases for the JECUTC, SCSU determined that it would deduct these costs from a future reimbursement request in order to correct this error. According to a FHWA official, the costs were deducted from a reimbursement request submitted in November 2010.

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## Recommendation

3. SC State University should ensure that reimbursement requests are submitted only for valid expenditures.

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## Construction Delays for Phase 1

Construction of Phase 1 of the JECUTC has experienced significant delays. We found that lack of proper oversight by SCSU, inexperience with federally-funded projects, and a lack of sufficient resources dedicated to the project contributed to these delays.

The construction of the JECUTC began in 2002 when SCSU received preliminary funding from FHWA and HUD. According to the most recent project management plan, the entire project will not be completed until 2020, and this is contingent upon SCSU obtaining more than \$83 million in funding needed to finish the center.

A review of SCSU board meeting minutes found that SCSU officials have projected various completion dates for the first phase of the project. For example, at a June 2005 board retreat, SCSU staff projected that Phase 1 (which at that time included an administration building) could be finished by February 2006. At a SCSU board meeting in June 2008, SCSU staff projected a completion date of December 2010. As of August 2010, the project management plan projected a completion date of January 2014 for Phase 1, which no longer includes the administration building.

We identified a number of issues that have contributed to the delay in completing the JECUTC, including problems associated with:

- Acquiring land.
- Obtaining sufficient water pressure.
- Developing the project management plan.
- Conducting a traffic study.
- Meeting bidding requirements.
- Obtaining Office of State Engineer and FHWA approvals.
- Retaining a construction management advisor.

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## Land Acquisitions for the JECUTC

The site for the transportation center encompasses approximately 33 acres. In order to construct the center, it was necessary for SCSU to acquire several parcels of land that it did not own. We found that SCSU did not verify that it had all the land needed for the JECUTC prior to beginning construction. This resulted in Phase 1A of the project being redesigned and caused delays in construction.

From the inception of the transportation center, SCSU management knew that it needed to acquire several parcels of land in order to complete the project. In 2005, SCSU purchased property for the center. After the purchase of the property, SCSU believed it had acquired all the parcels needed for the

center and proceeded with plans for the construction of Phase 1A of the center, consisting of site preparation for the entire site. Site preparation began in October of 2006. However, in November 2006, the construction company determined that part of the site work and a proposed retention pond were on private property not owned by SCSU. In addition, SCSU determined that it did not have clear title to public streets that were to be closed in order to build the center nor did it have clear title to another piece of property that had been abandoned and which SCSU had been using.

It took SCSU until October of 2007, approximately one year, to obtain the private property needed for the center. It took another six months, until April 2008, for SCSU to obtain clear title to the streets and other property that was needed for the center.

As a result of these property issues, it was decided to replace the temporary retention pond with a permanent underground storm water system. Also, site preparation work that was originally scheduled to be completed in February 2007 was not completed until April 2008.

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## Verification of Property Ownership

SCSU did not properly verify that it owned all the property for the JECUTC even though the Budget and Control Board's Office of State Engineer (OSE), as early as September 2004, had noted in its comments on the project that the center was beyond the limits of current campus boundaries and SCSU needed to show proof of ownership of all property needed for the center. In a letter to OSE dated June 2005, SCSU stated that it expected to have clear title to all parcels within a month.

Also, according to federal officials, SCSU should have provided to FHWA a letter certifying that it owned all the property needed for the center prior to starting construction of Phase 1A. However, federal officials stated that they could not locate a copy of a Right-of Way certification or land verification letter.

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## Water Pressure

SCSU has had a long standing water pressure issue on its campus. During the course of construction work on various campus projects, including Lowman Hall, Hodge Hall, the new engineering Computer Science Center, and the JECUTC, the University was informed that it would not be granted a certificate of occupancy on the buildings because the water system did not meet current building codes.

We found that SCSU did not adequately examine all options for addressing the water pressure issues. In addition, SCSU did not submit the plans for correcting the water pressure issue to FHWA prior to beginning work,

thereby rendering the portion of the costs of this work associated with the JECUTC ineligible for reimbursement or for use as state match.

SCSU initially planned to construct a \$3.4 million water tower to address the water pressure issue. A consulting firm was hired in 2008 to conduct a study of the issue and make recommendations. Unknown to SCSU at the time, the firm also had a contractual relationship with the Orangeburg Department of Public Utilities. A SCSU official stated that he felt this biased the firm towards recommending a water tower and SCSU would not have contracted with this firm had it known of the relationship with the city.

SCSU attempted to identify a source of funding for the water tower, but was unsuccessful. When a source of funds could not be identified, the need for the water tower was re-examined and SCSU hired a second consulting firm in 2009. This firm determined that the water pressure issue could be corrected by connecting to existing water lines near campus. SCSU paid less than \$500,000 to connect to the existing water line and resolve the problem. As noted above, the water pressure issue was a campus-wide problem but the portion of the line that could be associated with the JECUTC was eligible for reimbursement and the FHWA offered to pay for that portion. However, SCSU did not submit to FHWA the plans for connecting to the water line for approval. Failure to submit these plans to FHWA prior to construction makes any costs that may have been associated with the JECUTC ineligible for reimbursement. SCSU also cannot use the costs for match, even though it had already planned to count approximately \$5,600 of the cost of the engineering study as match.

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## Project Implementation Plan/Project Management Plan

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Due to delays in construction of the JECUTC, the FHWA recommended in 2007 that a project implementation plan (PIP) be developed by SCSU. FHWA felt that development of such a plan would assist SCSU in better managing the project. It was also recommended that the PIP be completed prior to the start of construction of the transit research center and chiller plant.

We found that SCSU was unable to complete the plan and that this contributed to delays in constructing the JECUTC. SCSU completed a draft PIP in December 2008, but it was never approved by FHWA. Since SCSU staff was unable to complete the plan, it was decided that the construction management advisor (CMA) would complete the project implementation plan as the first deliverable of its contract.

The CMA began working on the plan in June 2009. During the CMA's work in developing the PIP, the plan was changed into a project management plan (PMP). While the two documents are similar, the PMP defines how a project

is to be executed, monitored, and controlled. The goals of the plan include ensuring that the project is delivered on time, on budget, and with the highest degree of quality. It took until September 2010 for the PMP to be approved by FHWA.

Minutes of construction meetings for the JECUTC from 2008 and 2009 note that it was important that the plan be completed prior to the start of vertical construction on the JECUTC. For example, in July 2008, completion of the PIP was one of several items that needed to take place before SCSU could get approval to start construction. Also, in April 2009, the project architect stated that several items, including the PMP, must be completed before the design development plans for Phases 1B and 1C of the JECUTC could be submitted to OSE. In its August 5, 2008, letter to SCSU, FHWA also cited problems with developing the plan when discussing delays associated with the project (see Appendix A on p. 39).

It took almost three years from the original recommendation that a project implementation plan be developed for SCSU to complete an approved project management plan for the JECUTC. SCSU staff was unable to complete the plan without the assistance of the construction management advisor. Development of the plan contributed to delays in construction of the JECUTC.

### **Communications With the Public**

Among the project goals, as stated in the project management plan, is maintaining public support, trust, and confidence. This goal includes several objectives:

- A monthly e-mail survey of a sample of alumni, staff, students, and public.
- Bi-monthly press releases.
- Establishment of an interactive website used to report construction progress.
- Establishment of a webcam to monitor construction progress.

We found that none of these objectives have been implemented. According to the project CMA, these items have not been allocated in the budget and have not been implemented during the construction for this first building. The University may or may not elect to provide this service depending on the budget.

The project management plan states that the JECUTC must be delivered in a manner that supports public confidence and trust in the ability of SCSU, South Carolina, and FHWA to effectively manage and deliver a quality project. The general public must perceive that the project is a wise

investment of a very large amount of public resources. One method for ensuring this is to keep the public informed concerning the progress of the JECUTC.

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## Traffic Study Not Timely

As part of the requirements for constructing the JECUTC, the S.C. Department of Transportation (SCDOT) required SCSU to complete a traffic study. We found that the University's failure to complete a timely study contributed to delays in constructing the transit research center and chiller plant. In addition, because SCSU had not conducted a traffic study when developing its master plan in 2002, the scope of the traffic study was expanded to include the entire campus. This made only a portion of the study eligible for federal reimbursement. Further, SCSU has stated that it intended to count the full cost of the study towards its match requirement.

In July 2008, SCDOT informed SCSU that a traffic study would be needed to determine the impact of the construction of the JECUTC on surrounding roadways and the local community. This study would normally have been included when SCSU developed its master plan in 2002. However, in order to limit costs, SCSU decided not to include a traffic study when developing its master plan. This necessitated the completion of a study during the construction of the JECUTC. In addition, SCSU's decision to conduct a campus-wide traffic study meant that only a portion of the cost of the study would be eligible for reimbursement by FHWA.

SCSU entered into a contract with a private firm to conduct the study in January 2009. The study was conducted in two parts. The first part, completed in April 2009, only addressed the immediate vicinity of the JECUTC. SCDOT also required that additional analysis be done of the entire perimeter of the SCSU campus. The second part of the study was completed in August 2009. Design documents for the transit research center and chiller plant could not be finalized until after the traffic study was completed, resulting in delays in bidding out construction of this phase of the JECUTC.

SCSU paid \$24,500 for the traffic study. Because the study covers the entire campus, only a portion of cost was eligible for reimbursement by FHWA and SCSU has been reimbursed for this cost. SCSU had indicated that it intended to count the entire cost of the study as match.

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## DBE Requirements

Because the JECUTC is funded with federal-aid highway dollars, it is subject to federal requirements for Disadvantaged Business Enterprises (DBE) participation. DBE goals for construction associated with the JECUTC are

set by SCSU. We found that these requirements have resulted in increased costs of over \$1 million for the JECUTC because companies that had the low bids were deemed non-responsive because of failure to meet the DBE requirements. In addition, there was at least a four-month delay in construction due to bid protests over the DBE requirements.

For construction of Phase 1A, which consisted of site preparation, SCSU set a DBE goal of 15%. There were four firms that bid on Phase 1A. Three of the four firms were deemed non-responsive due to failure to meet DBE requirements. The fourth firm, and the only firm deemed responsive, was the highest bidder on the project, at \$867,000. This bid was \$322,251 (59%) above the lowest bid on the project.

For construction of Phases 1B/1C primarily consisting of the chiller plant and transit research center, SCSU increased the DBE goal to 20%. There were 17 firms that bid on this project. However, the 15 lowest bidders were deemed non-responsive due to failure to meet DBE requirements. Thus, the 16<sup>th</sup> firm, with a bid in the amount of \$4,619,268, was awarded the contract. This bid was \$759,560 (20%) above the lowest bid. Four of the firms bidding on Phase 1B/1C formally protested the awarding of the contract. As a result, construction on this phase of the project, originally scheduled to begin in February 2010, was delayed until July 2010. These firms' protests were ultimately denied.

SCSU plans to bid out construction of Phase 1D, the archives/library building in the spring of 2012. SCSU needs to take steps to ensure that potential bidders are well informed concerning the DBE requirements. According to SCSU and OSE officials, SCSU has now added a requirement that all bidders attend a DBE training seminar so the firms will be trained on what is needed to meet DBE requirements.

SCSU should also examine the level of DBE participation required on the JECUTC. The B&CB's Chief Procurement Officer for Construction, in his bid protest decision, recommended that SCSU select its DBE goals in accordance with the available pool of certified disadvantaged businesses that perform vertical construction to help ensure a more realistic goal. Federal DBE regulations require a minimum DBE participation of 10% for projects built with federal funds. According to an SCDOT official, the statewide DBE goal is 11% with individual project goals ranging from 1% to a maximum of 20%. According to the project management plan, the DBE goal for professional services and construction work for the JECUTC is 20%. SCSU could ultimately spend more than \$100 million in constructing the JECUTC. Setting a higher DBE requirement may result in fewer eligible bidders and increased cost for the JECUTC. SCSU needs to balance the goal of

encouraging DBE participation with the goal of the most economical price for building the center.

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## Preparation of Construction Documents

Prior to beginning construction of the JECUTC, SCSU was required to have construction documents for the center reviewed and approved by both OSE and FHWA. We found that it took multiple submissions of these documents before they received approval and that SCSU did not perform adequate quality control review of the documents prior to the documents being submitted to OSE and FHWA. This contributed to delays in constructing the center.

Section 11-35-835 of the S.C. Code of Laws requires that schematic design documents, design development documents, and construction documents for a project be approved by the OSE. In addition, because federal funding was involved, FHWA also had to approve these documents. The construction documents are prepared by the project architect, reviewed by SCSU, and submitted to OSE. OSE reviews the documents and provides comments that must be addressed before OSE gives final approval. According to an OSE official, OSE's role is to review the documents for safety and code compliance.

For the construction documents for Phase 1A, site preparation, there were six submissions to OSE from October 2005 until July 2006 before the documents were approved. Once approved, SCSU was able to bid Phase 1A and construction began in October 2006. For Phase 1B/1C there were five submissions over a two-year period between November 2007 and December 2009 before SCSU was finally able to bid the project in December 2009.

During 2008 state and federal officials expressed concern about the numerous submissions of construction documents. In March 2008, the OSE stated that SCSU was not conducting sufficient quality control review of construction documents prior to their submission to OSE. In its August 5, 2008, letter to SCSU, FHWA noted that construction documents that needed to be completed in order to begin vertical construction of the JECUTC had been submitted to OSE with, "...an inordinate amount of errors and omissions..." This resulted in, "...over ten months of corrective work rather than constructive progress." (see Appendix A on p. 39)

There were also other factors that contributed to the two-year period in developing the construction documents for this phase. As noted earlier, SCSU had to address the campus-wide water pressure issue, complete the traffic study, retain a construction management advisor, and prepare a project management plan.



In its August 5, 2008, letter FHWA staff requested a meeting with SCSU's recently-appointed University President to discuss the issues surrounding the JECUTC. According to the President's Office, no meeting was held with FHWA because the letter was never received. However, in our review of construction meeting minutes, we did find evidence that SCSU staff were aware of the letter (see Appendix A on p. 39).

Not ensuring that construction documents are properly prepared and that comments by outside entities are addressed in a timely manner have resulted in delays in construction at the JECUTC. In part due to these delays, SCSU ultimately decided to retain a construction management advisor to help ensure that the construction of the JECUTC proceeds on schedule.

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## Construction Management Advisor

In addition to recommending the development of a project implementation plan in 2007, FHWA and OSE also recommended hiring a construction management advisor (CMA) for the JECUTC. This recommendation was made because SCSU was not able to perform effective quality control review for the JECUTC due to a lack of sufficient resources dedicated to the project. It was determined that a CMA could provide the expertise and full-time oversight needed to manage a project of this size. A CMA could also improve the quality of contract documents and maintain the project schedule.

We found that there were delays in hiring a CMA which contributed to delays in constructing the JECUTC. SCSU advertised for a CMA three separate times in 2008 — first in June, then September, and finally in November 2008.

Delays in hiring a CMA contributed to delays in constructing the JECUTC. June 2008 construction meeting minutes stated that a CMA should be hired before advertising for a construction contractor for Phase 1B. Minutes from the July 23, 2008, construction meeting note that the hiring of a CMA is one of the prerequisites for the approval of Phase 1B construction. The minutes further stated that the committee, "...stressed the urgency of securing a construction management advisor as soon as possible." In its August 5, 2008, letter to SCSU, FHWA noted that the recommendation to hire the CMA had been made in December 2007, but "Unfortunately, eight months have passed and SCSU does not yet have a firm under contract, ...." (see Appendix A on p. 39)

SCSU did not begin negotiations with the CMA until April 2009 and the CMA did not begin work until June 2009. Thus, it took approximately 18 months to hire a CMA for the JECUTC. Delays in the selection of a CMA contributed to delays in the construction of the JECUTC.

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## Recommendations

4. SC State University should develop and implement an adequate planning process to certify that all land needed for a project has been purchased prior to initiating construction.
5. SC State University should ensure that all bidders on construction projects with disadvantaged business enterprises requirements are properly trained on how to meet these requirements.
6. SC State University should review its current disadvantaged business enterprises contract goals to assess whether they are in the University's best financial interest.
7. SC State University should implement a procedure to review construction documents for the JECUTC to ensure that they are properly prepared. SCSU should implement a procedure to ensure that OSE and FHWA comments are addressed in a timely manner.
8. SC State University should implement the objectives of the project management plan relating to informing the public concerning the progress of the JECUTC.

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## Board Oversight

The Board of Trustees of SC State University has not taken an active role in overseeing the center and approving changes to the center's plans. We found that, while the board has received reports concerning the progress of construction of the JECUTC, it does not approve significant changes to the plans for the JECUTC, nor does it have a role in approving the fundraising plans for the JECUTC.

According to an SCSU official, the Board of Trustees approved the overall concept for the construction of the James E. Clyburn University Transportation Center, but the management of the project is done by SCSU's administration. The Board is informed of the status of projects through Committee and Board comments. The Board's involvement with the JECUTC has been the same as any other project at SCSU.

Because of construction delays, funding shortfalls, significant changes in building plans, and the need for significant additional funds to complete the center, the Board should take a leadership role in overseeing the project. In addition, as funds become available, the Board should consider prioritizing construction to maximize services to students.

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## Recommendation

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9. The SC State University Board of Trustees should implement a process for overseeing the construction and the fundraising needed to complete the James E. Clyburn University Transportation Center.
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## Repayment of Funds Improperly Obtained

During the course of our review, we reviewed a draft internal audit of construction operations conducted by SCSU's internal audit department in 2009. The audit found that a former employee of SCSU, who had been terminated due to misuse of the state procurement card (P-Card), was now working for SCSU's facilities management contractor in a financial capacity. The audit recommended that SCSU exercise its authority to have the employee replaced to minimize potential harm to the University. We found that this former employee works for the private contractor that SCSU uses to handle facilities management and that the construction management advisor for the JECUTC reports to this contractor.

A May 2007 review by SCSU's Office of the Internal Auditor discovered that the employee was found to have made improper personal purchases in the amount of \$3,570. SCSU's President directed staff to terminate the employee and provide a report on how SCSU was going to recover the funds. The letter directing the termination, stated:

The improprieties detailed in...(the) report...are clear and conclusive. (The employee's) gross malfeasance is a direct violation of University policies and procedures. His actions are unethical and illegal. South Carolina State University will not tolerate this type of conduct.

According to SCSU staff, this letter was never received. The employee was terminated in May 2007, but SCSU staff also informed the employee that the University, "...should be in a position to consider rehiring you within the next twelve months after it has had the opportunity to review all the detail."

### Repayment to the University

We found that SCSU's method for recovering the funds owed by the former employee was questionable. In February 2006, an SCSU employee, who also served on SCSU's foundation board, entered into an arrangement with the employee whereby he was to perform work on a real estate transaction involving SCSU's foundation and be paid by the foundation at the closing. The work was to take place outside his normal duties and he would not be paid until after the foundation had acquired the property.

At the real estate closing in March 2007, an attempt was made to pay the employee \$7,500 for “due diligence” but the closing attorney and the foundation board objected and no payment was made at that time. In May 2007, SCSU was reconciling funds owed to the foundation as a result of the real estate purchase. Included in the amounts deducted from SCSU’s payments to the foundation was \$7,500 for “due diligence.” Of this amount, \$4,000 was paid to the employee and \$3,500 was withheld by SCSU to reimburse the University for the improper purchases made using the P-Card. The \$4,000 paid to the employee was categorized as “liability” and the \$3,500 withheld by SCSU as “supplies” and not as income for work performed. SCSU was not able to provide documentation that the \$7,500 paid to the employee had been reported as taxable income.

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## Recommendation

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10. SC State University should ensure that it adheres to Internal Revenue Service reporting requirements for employee compensation.
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## Use of Buildings for Non-Transportation Purposes

Our review of documents determined that the University is considering using JECUTC buildings for uses other than those authorized by the federal grant. This could expose the University and the State to the risk of substantial reimbursements of federal funds. According to an FHWA official, in determining federal-aid eligibility for the JECUTC, the function of each particular building would need to be evaluated to determine that there is a transportation link and a clear purpose in carrying out the objectives of the transportation complex. Our review of construction documents and related material identified potential uses for the buildings that may not be in keeping with this mission.

### Chiller Plant

In designing the JECUTC, management decided that one of the first buildings to be constructed would be the chiller plant. The chiller plant has the capacity to cool the entire 197,000 square foot center once it is complete. However, SCSU only has funding on hand to complete two of the seven buildings that make up the JECUTC. Also, even if the funding were available, the center is not projected to be completed until 2020. Thus, the chiller plant will have significant excess capacity. According to a SCSU official, University management has no intention of using the chiller for anything other than the Transportation Center. According to an FHWA official, if funds do not materialize to build the remaining buildings on the JECUTC, and SCSU does decide to use the chiller plant to cool other parts of the campus, FHWA would discuss the appropriateness of the proposal at that time.

### **Executive Office Suite**

Documents prepared by the architect in 2003 include an “executive office suite” in the JECUTC. This suite is in addition to office space for the various transportation programs and includes an office, bathroom, and reception area. According to SCSU documents, the suite is designated as being for use by a Congressman. The suite’s estimated cost per square foot in 2004 was \$275, nearly twice that of similar office space in the JECUTC, which had an estimated cost per square foot of \$150. Project documents from 2004 estimate the cost of the suite at slightly over \$455,000, based on 1,657 gross square feet. The suite would be built during the construction of Phase 2, which is not currently funded. According to an FHWA official, the eligibility of this suite for federal funding would be determined when funding becomes available.

### **Transit Research Center (TRC)**

A 2008 draft project implementation plan for the JECUTC stated that the principal end user of the TRC will be SCSU’s fleet management division. According to an SCSU official, the TRC will be used by two transportation researchers and transportation graduate students. The bay areas will serve as laboratory space for researchers. The first large laboratory bay will be occupied by researchers conducting biodiesel research with the intent of studying how biodiesel is used in combustion engines. According to the official, SCSU does not intend to house SCSU fleet management in the Transportation Center.

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## **Recommendation**

11. SC State University should ensure that the use of the buildings in the James E. Clyburn University Transportation Center are in keeping with the center’s mission.



# Loss of Tier I University Transportation Center Designation and Grant Expenditures

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In this chapter, we examine SCSU's loss of designation as a Tier I University Transportation Center (UTC), that had been included in federal legislation passed in 1998. In addition, we reviewed how grant funds associated with the designation were expended and whether they were expended in accordance with the grant objectives, federal policy, and state law.

We found that SCSU lost its designation because federal officials, after reviewing SCSU's application for continuation as a Tier I transportation center, determined that it was no longer qualified to be a UTC. In addition, regaining the designation may prove difficult. We also found SCSU has not complied with certain federal requirements associated with the UTC program and has made questionable expenditures of federal and state funds associated with the center.

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## Background

In 1987, the federal Surface Transportation and Uniform Relocation Assistance Act created the UTC program and authorized the establishment of ten regional transportation centers. The program was established in order to expand research and education with the goal of improving and strengthening the national transportation system.

In 1991, the federal Intermodal Surface Transportation Efficiency Act re-authorized the UTCs for six years and added ten additional centers. In 1998, the federal Transportation Equity Act for the 21<sup>st</sup> Century re-authorized the UTC program for six years and increased the total number of UTCs to 33. Of these 33 centers, 10 of the centers were selected competitively and 23 UTCs were designated in the act, including the UTC at SCSU.

The UTC program consists of several levels of centers, including national and regional transportation centers as well as centers designated as Tiers I, II, or III. SCSU was designated as a Tier I transportation center. Funding varies depending on the level of center with Tier I's receiving \$1 million in federal funds annually. These funds require a 100% state match. The funding for the UTCs comes from the USDOT's Research and Innovative Technology Administration (RITA). SCSU was awarded \$5,817,200 in federal funds under this grant.

The theme of SCSU's center is professional capacity building and its goals are to assist federal, state, and local agencies in meeting their goals to develop a highly-skilled workforce to meet the future needs in transportation.

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## Loss of Designation

In 2005, Congress enacted the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This act expanded the UTC program from 33 centers to 60 and increased the total funding from \$32.5 million to \$76.7 million nationwide. The act also mandated that Tier I centers were to be competitively selected and established the selection criteria. Universities selected to be Tier I centers would receive up to \$3 million over a three-year period and be required to provide an equal amount in matching funds.

SCSU submitted its Tier I application in August 2006. There were 36 applications submitted and SCSU was notified in October 2006 that it had not been selected as a Tier I center. SCSU was not given a written explanation for why it was not selected. According to an e-mail from the USDOT, "...in keeping with the established practices of previous UTC competitions, RITA does not plan to give debriefs of the results...nor is it possible for any of the applicants to review the comments of the review team that evaluated the proposals."

However, a March 19, 2009, letter from a Congressman (see Appendix A on p. 39) stated that USDOT was not pleased with SCSU's performance as a UTC and this led to SCSU losing its designation. The letter stated:

The discussions I had with representatives of the FHA and the documents they shared with me, made it very clear that they were not pleased with the operations at SCSU's UTC. It is also very clear to me that these challenges led to SCSU losing its designation. However, it is clear to me that a vision to train SCSU students, and others, in becoming transportation professionals and create a new and inviting entrance to the campus have deteriorated to a point of stagnation, which has ultimately jeopardized a unique mission.

SCSU intends to reapply for designation as a UTC once the competition is reopened. However, in January 2010, RITA suspended competition for the grants until there is passage of new multi-year surface transportation legislation by the U.S. Congress. It is not known when such legislation will be enacted. Thus, it is uncertain when SCSU will be able to apply to regain its designation as a UTC.

### Impact of Loss of Designation

In response to a Board of Trustees request, SCSU staff prepared a memo describing the impact of the loss of the designation. RITA funds have been used to support various programs at SCSU, including the Master of Science in Transportation (MST) degree program. RITA funds were used to pay salaries and fringe benefits for three faculty positions associated with the



MST program. Federal funds were also used to pay for graduate fellowships and student assistantships, faculty research, outreach efforts, and library and computer resources. In addition, the salary and fringe benefits of 12 full-time staff positions in the UTC were paid with these funds and SCSU also received indirect cost funds from the grant.

Because SCSU had not expended all the federal funds received as part of the original 1998 grant, the impact of the loss of the designation was not felt immediately. SCSU was granted extensions to use the remaining funds until December 31, 2009. Once the extensions expired, SCSU took steps to address the loss of funds.

The salary and fringe benefits of the faculty members for the master's program were transferred to another grant. Faculty research projects, library and computer resources, and indirect costs associated with the UTC were no longer funded. Outreach efforts, including SCSU's First Vex Robotics and Science and Technology Day did not take place in 2010. SCSU used 1890 Extension funds for the 2011 Robotics program. The full-time UTC staff was initially transferred to other grants for a period of up to seven months. Eventually five of the full-time staff positions had to be eliminated due to lack of funds.

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## Conclusion

Regaining the federal Tier I designation along with the associated funding may prove difficult for SCSU. SCSU's past performance may hinder its ability to regain its status as a UTC. In addition, outside support which could assist SCSU in regaining UTC status may be lacking. In the March 19, 2009, letter (see Appendix A on p. 39), the Congressman added:

I am willing to assist the University in trying to regain its federal status, and pursue other ventures for its students and faculty. However, until there is a clear direction and leadership at the Transportation Center, I am reluctant to pursue further federal investments for this project.

In a May 4, 2009, response (see Appendix A on p. 39) SCSU's President stated:

At the time of your letter (March 19, 2009) I was unaware that SC State lost it's (sic) federal designation as a University Transportation (UTC) in 2006.... However, I do understand the significance of this federal designation.... I am assessing needs... and recognize the importance of strong leadership in our transportation center... I can assure you that the UTC will be a visible program among our priorities....

Since 2005, there has been significant turnover in leadership at the UTC. There were six changes in the position of UTC director between October 2005 and March 2011. With the exception of a three-and-a-half-month period between December 2007 and March 2008, the JECUTC had been led during this period by interim directors. A permanent director of the JECUTC had not appointed until March 2011. Without consistent leadership, the JECUTC will not be able to address the issues which led to the loss of the designation.

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## State Match

As noted above, as a condition of receiving federal UTC grants funds, SCSU is required to provide a 100% state match. For every federal dollar spent, SCSU must expend a “matching” state dollar. We found that SCSU had not provided all of the state matching funds required by the grant.

SCSU expended \$5,681,412 in federal UTC grant funds between 1998 and December 31, 2009, when the grant expired. In response to an LAC request, SCSU provided documents showing it had expenditures of \$5,384,797 in state matching funds. However, RITA records show state match expenditures of \$3,996,626, resulting in a difference between federal funds expended and state matching funds of between \$296,615 and \$1,684,786. According to SCSU officials, SCSU is currently working with RITA officials on a reconciliation to try and resolve the difference in matching funds reported. This reconciliation is expected to be completed by June 30, 2011.

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## Non-Compliance With Grant Requirements

We reviewed the general provisions of grants for university transportation centers and found that SCSU had not complied with all the requirements. We also found that SCSU has not complied with the UTC reporting requirements.

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## Non-Compliance With General Grant Provisions

### Change in Center Director

Section III.1 of the general grant provision states that, “DOT’s decision to award a UTC Grant to a Grantee is based to a considerable extent upon its evaluation of the proposed center director’s knowledge of the field of study and his/her capabilities to lead a University Transportation Center.” The provisions require the grantee to notify USDOT if there is a substantive change in the amount of time the director devotes to center activity or if the director stops working for the UTC. “Prior written approval by DOT is required for any temporary or permanent replacement of the Center

Director.” The JECUTC changed directors four times between 2005 and December 2009 when the grant ended. We requested copies of approval letters from SCSU for these changes in UTC director. SCSU was unable to locate letters submitted to USDOT or the approval from USDOT for the change in directors.

### **Equipment**

Section III.3 of the general grant provisions states, “A written request for prior approval from DOT is required to purchase equipment that has a unit cost of \$5,000 or more.” We identified two equipment purchases made by SCSU that exceeded \$5,000. SCSU purchased a Total Organic Carbon Analyzer for \$10,238 and an anaerobic chamber for \$18,941. We requested copies of prior USDOT approval from SCSU. SCSU responded that it did not obtain prior approval.

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## **Non-Compliance With Reporting Requirements**

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Tier I designation requires that SCSU conduct transportation-related research that must be published in various places. RITA requires that final research reports be published on the grantee’s website, that the Transportation Research Board (TRB) be notified so that the report may be indexed and abstracted in TRB’s Transportation Research Information System (TRIS), and that copies of the reports be provided to the National Transportation Library. We found that SCSU had not complied with these reporting requirements.

Our attempts to access the research reports on SCSU’s website were initially unsuccessful. We informed SCSU of our difficulty and we were subsequently able to access the website containing the reports. However, not all of the reports were available on the website. We selected a non-statistical sample of nine reports listed in the JECUTC annual report, but did not find any of the final reports on SCSU’s website. We also did not find any of the nine reports listed in TRIS.

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## **Recommendation**

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12. SC State University should ensure that it complies with all grant requirements.

## Grant Expenditures

SCSU has been awarded a number of federal grants to fund various transportation-related programs and research. Based on information provided by SCSU management, we estimate that \$30 million in state and federal program funds have been administered by the center since 1998 (see Table 3.1). This does not include the approximately \$27 million in federal and state matching funds that will be used to construct the JECUTC.

As noted on page 2, other agencies, including the Department of Health and Human Services' (HHS) Office of Inspector General (OIG), on behalf of FHWA, and S.C. Department of Transportation's Office of Contract Assurance are currently reviewing selected grants administered through the transportation center. As a result, we limited our review to grants awarded by the U.S. Department of Transportation's Research and Innovative Technology Administration (RITA).

**Table 3.1: Federal Transportation Center Grant Funds Awarded to JECUTC Since 1998**

FEDERAL GRANT*	AWARD	MATCH	TOTAL
NSTI** - 00097	\$10,000,000	\$382,650	\$10,382,650
NSTI** - 00013	5,500,000	0	5,500,000
RITA	5,817,200	5,817,200	11,634,400
Summer Transportation Institute (07-09)	130,064	0	130,064
Eisenhower Fellowship Program (04-10)	245,850	0	245,850
Transportation Careers Training Program	281,333	0	281,333
Southern Rural Transportation Center	1,752,825	438,206	2,191,031
<b>TOTAL</b>	<b>\$23,727,272</b>	<b>\$6,638,056</b>	<b>\$30,365,328</b>

\* SCSU management's documentation of federal grants awarded to the transportation center.

\*\* National Summer Transportation Institute Resource Center Grant.

Source: SCSU

SCSU was awarded \$5,817,200 under the UTC grant between 1998 and 2009. These funds have been used to pay for faculty and JECUTC staff salaries, transportation related research, student assistantships, community outreach efforts, and library and computer resources.

We reviewed a sample of expenditures from 2007 through 2009. We found questionable expenditures in the areas of travel and dual employment. We also found instances where SCSU charged expenditures to the RITA grant that should have been charged to other grants. We also identified several questionable travel expenditures and provided this information to South Carolina Law Enforcement Division (SLED) for review.

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## Travel

In reviewing travel expenditures under the RITA grant, we identified instances where employees exceeded U.S. General Services Administration (GSA) lodging limits. In addition, we found instances where employees received reimbursement for meals when attending conferences where meals were being provided by the conference and their cost was included in the registration fee. We also found instances of questionable mileage reimbursements.

### Lodging

According to proviso 89.23 of the FY 10-11 appropriations act and provisos in previous acts, state employees are to adhere to lodging rates established by the GSA. The proviso includes an exception that allows universities to exceed this limit when the lodging is paid for using funds other than state general funds. We reviewed a non-statistical sample of 38 trips that included lodging expenditures. GSA allows employees an additional 25% above the GSA rate when attending conferences. We found that for 18 (47%) of the vouchers, SCSU exceeded the GSA lodging limit even with the additional 25% allowance for conferences. For example:

- Two SCSU staff attended a national transportation organization board meeting in Washington, D.C. in September 2007 for two days. The GSA lodging limit was \$195. One employee's room rate was \$189 per night, while a second employee attending the same meeting, but staying at a different hotel, had a rate of \$426 per night.
- An SCSU employee attended a conference in New Orleans in June 2008 for four nights. The GSA lodging limit, including the additional 25% conference allowance, was \$163.75. The employee's room rate was \$199.
- An SCSU employee attended a meeting in Clemson in November 2009. The GSA lodging limit was \$70. The employee's room rate was \$199.

According to an SCSU official, SCSU policy is to reimburse employees for the actual cost of lodging. As a result, employees have been reimbursed for lodging costs that exceed the GSA lodging limits.

### **Meals**

During our review of travel vouchers, we identified instances in which employees were improperly reimbursed for meals. For example, we found seven instances where employees attended conferences which included specific meals in the registration fee and they also claimed reimbursement for these meals. SCSU's procedure is not to reimburse employees for meals that are included in registration fees. According to an SCSU official, in prior years, SCSU did not require employees to provide a copy of the conference schedule with the travel reimbursement request. Without this schedule, the reviewing official would be unaware if meals were included. SCSU has revised its procedures to require submission of the schedule.

We also found instances where employees improperly claimed meals when traveling. State policy allows employees to claim meals when traveling only if they travel during certain times of the day. For instance, employees can claim breakfast and lunch while traveling only if they leave before 6:30 a.m. and arrive back after 1:30 p.m. We found:

- The travel reimbursement form for an employee who traveled to a conference in Myrtle Beach in 2009 (approximately a three-hour drive) shows a departure time of 6:00 a.m., allowing the employee to claim three meals. After an LAC inquiry, the employee agreed that he should have been reimbursed for only one meal.
- An SCSU employee drove to a conference at Walt Disney World scheduled for July 9 – 11, 2007. The travel reimbursement form shows a departure date of July 7 at 6:00 a.m. and an arrival time of 4:00 p.m. on July 7, a full day before the conference started. After an LAC inquiry, SCSU responded that SCSU had not followed the proper reimbursement procedures in this case.

### **Privately-Owned Vehicle Reimbursement**

We also found an instance where an employee obtained excessive reimbursement by claiming additional miles when using his personal vehicle for SCSU business:

- An SCSU employee traveled from his residence to Greenville to attend a meeting in October 2009 and claimed mileage reimbursement for 430 miles when the round-trip mileage was 328 miles. Thus, the employee received an additional \$47.43 in mileage reimbursement.

### **Travel Erroneously Charged to Grant**

We found two instances where travel was charged to the RITA grant in error.

- An SCSU employee attended meetings in several locations around the state and an Educational Television (ETV) taping session in Columbia “regarding Environmental Policy.” The cost of these meetings totaled \$315.34. After an LAC inquiry, SCSU responded that the charges should have been posted to the SCSU’s Environmental Policy Institute (EPI) grant.
- An SCSU employee attended a congressional conference meeting in Washington, D.C. in September 2007 and charged \$896.47 to the grant. After our inquiry, SCSU responded that the charges should have been posted to the EPI grant.

### **Questionable Expenditures**

In reviewing travel reimbursement requests, we identified several questionable expenditures and provided them to SLED for review. For example:

- An employee attended a meeting for which he submitted a reimbursement request that included a receipt for four nights of lodging. However, we contacted the hotel for confirmation and found that the employee only stayed one night. The receipt provided to us by the hotel did not match the receipt filed with the employee’s travel voucher, resulting in a questionable reimbursement of \$476.21 for meals and lodging.
- An employee attended a two-day conference and the registration form specifically stated that “listed meals [are] included in the registration.” This statement, as well as the list of meals was missing from the registration form included with the travel voucher, and the employee was improperly reimbursed for meals.

---

## **Conclusion**

During the course of our review, SCSU revised its travel policy. Our review of this policy found that it will result in an increased administrative burden on staff responsible for ensuring adherence to state travel guidelines and also violate state policy on reimbursement for meals.

Under the new policy, when travel is paid for using state appropriated funds, SCSU employees will be limited to GSA rates for lodging costs and will be allowed GSA rates for meals, which exceed state meal limits. When using funding other than state appropriated funds, employees will be allowed actual

lodging costs, regardless of whether it exceeds the GSA rate, but will be limited to state meal rates. However, under SCSU's new policy, if state appropriated funds are used as a match to federal funds, lodging would adhere to GSA rates. If other funds are used, lodging costs would not adhere to GSA rates.

State travel policy states:

Excess costs, circuitous routes, delays or luxury accommodations unnecessary or unjustified in the performance of an assignment are not considered acceptable as exercising prudence.

SCSU's new travel policy will require that staff responsible for reviewing travel expenses for appropriateness know the source of funds used to pay for the travel and then check to see if the correct lodging and meal limits were applied. This could result in increased errors and time spent in reviewing travel reimbursement requests. Also, the more SCSU expends for travel and administrative costs, the fewer funds are available for other purposes.

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## Recommendations

13. SC State University should adopt the GSA lodging limits for all travel and comply with the state travel policy on meal reimbursements.
14. SC State University should authorize staff reviewing travel payments to disallow reimbursements for expenditures which do not comply with state travel policy, agency policy, or federal grant requirements.

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## Dual Employment

We reviewed dual employment (which consists of current employees being paid to perform additional work) paid from RITA funds from 2007 through 2009. During this period, approximately \$118,000 in dual employment compensation was paid to SCSU employees using RITA funds. We found SCSU employees, whose full-time salaries were paid using RITA funds, also received dual employment compensation paid for using RITA funds. In addition, we found instances of employees being paid an hourly rate for their dual employments which exceeded their normal rates of pay. For example:

- A professor, who worked in the transportation center and whose full-time salary was paid with RITA funds at an hourly rate of \$36, received a dual employment assignment as a principal investigator on three different JECUTC research projects and was paid at an hourly rate of \$50 for all three projects.



- A center staff person, whose salary was paid using RITA funds and whose compensation rate was \$30 per hour, received a dual employment assignment as a research associate for a JECUTC project at an hourly rate of \$45.
- Another center staff person, whose salary was paid using RITA funds and who was compensated at \$15 per hour, received two dual employment assignments as research coordinator at an hourly rate of \$22.

We also found examples of other SCSU employees performing dual employment assignments paid for using RITA funds at hourly rates above their base salary. For example:

- An SCSU employee was hired as an administrative specialist on a center project at \$31 per hour. The person's base rate was \$15 per hour.
- An SCSU employee was hired in 2007 and 2008 as a project leader for SCSU's science and technology day. In 2007, the employee was paid an hourly rate of \$15, while in 2008 the rate increased to \$29. The base rate of pay for the employee was \$16 an hour.
- An SCSU administrative assistant whose base rate of pay was \$14 an hour received a dual employment assignment to "assist project personnel with preparation of reports, procuring supplies, and in other aspects of the project...." The rate of pay was \$20 per hour.

Under SCSU policy for dual employment, in order to qualify, the work performed must consist of independent, additional job duties over and above those of the employee's primary position. According to SCSU policy, the rate of pay for dual employment is determined by the requesting agency based on "fair market" rate for the work performed. Federal regulations limit compensation from federal grant funds to the employee's base rate of pay. SCSU policy states that dual employment is not to be used to provide higher continuing salaries than those approved for an employee. In addition, SCSU does not advertise dual employment positions; therefore, SCSU may not hire the most qualified staff at the lowest rates of pay.

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## Recommendation

15. SC State University should revise its dual employment policy to ensure that it is in compliance with requirements concerning the rate of pay and to require that employees document that work performed, as dual employment, exceeds the work required of the employee's primary position.

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## Grant Receivables

A June 2010 review by an outside consulting firm found that SCSU had outstanding grant receivables of approximately \$900,000 for grants related to the transportation center. The receivables are four to five years old. According to SCSU officials, the reason for the delay in paying these requests stems from turnover at FHWA and SCSU and also completion of SCSU's management response to the 2006 audit by HHS's Inspector General. Also, according to a federal official, the final invoice is normally held pending final closeout activities. Some of the receivables relate to a grant for which the principal investigator is now deceased and FHWA and SCSU are trying to determine how much work was completed and what the appropriate payment should be.

SCSU has expended approximately \$900,000 related to these grants for which it has not been reimbursed. According to SCSU and FHWA, these receivables are still collectable and SCSU submitted the project closeout reports to FHWA in September 2010. An ad-hoc committee has been established and tasked with resolving the deficiencies identified in the outside consultant's June 2010 report. However, as of April 2011, these receivables were still outstanding.

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## Recommendation

16. SC State University should take steps to collect outstanding grant receivables as quickly as possible.

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## Conclusion

SCSU's plans to construct a state of the art transportation research, teaching, and conference center at a cost of \$107 million were based in part on its designation as a Tier I transportation center in 1998. Because that designation, and the accompanying annual \$1 million to fund the academic and research programs were lost in 2006, the Board of Trustees should re-examine plans for constructing the center. The University needs an additional \$83 million to finish the center as designed, including \$3 million of state matching funds, to complete Phase 1. SCSU has no viable plan to secure the remaining \$80 million necessary to complete the building project.

In addition, existing management controls have not detected duplicate billings, insufficient state matching funds, and questionable payments. As

a result, the University is at risk of repaying significant amounts of federal funds. External audits and reviews, as well as an unpublished University internal audit, have identified deficiencies that warranted immediate corrective action.

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## **Recommendations**

17. The SC State University Board of Trustees should examine plans and funding for the James E. Clyburn University Transportation Center. The Board of Trustees should approve the University's plan to obtain funds to complete the center. In addition, the Board of Trustees should ensure that state and federal resources provided for student programs and maintenance of the University infrastructure are not redirected to constructing the center.
18. The President of SC State University should ensure that internal control weaknesses identified in this audit and other reviews since 2006 are corrected. The Board of Trustees should incorporate into the President's annual performance evaluation measures to determine his success in correcting financial and management deficiencies identified in this report and other recent reviews.



# Transportation Center Correspondence and Meeting Minutes

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- August 5, 2008  
Letter from the Federal Highway Administration  
to SC State University's President
- March 19, 2009  
Letter from U.S. Congressman to SC State  
University's President
- May 4, 2009  
Response to U.S. Congressman from  
SC State University's President
- August 20, 2008  
Construction Committee Meeting Minutes

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**Appendix A**  
**Transportation Center Correspondence and Meeting Minutes**

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U.S. Department  
of Transportation

**Federal Highway  
Administration**

1835 Assembly St., Suite 1270  
Columbia, SC 29201

August 5, 2008

In Reply Refer  
HDA-SC

Dr. George E. Cooper, President  
South Carolina State University  
300 College Street, N.E.  
Orangeburg, South Carolina 29117-0001

Dear Dr. Cooper,

Welcome to South Carolina and congratulations on your appointment as the 10<sup>th</sup> President of the South Carolina State University (SCSU). Over the past 16 years, the Federal Highway Administration (FHWA) has enjoyed an excellent partnership with SCSU. Working together, we have provided federal funding to support SCSU students in a variety of programs including the Summer Transportation Institute, the Transportation Careers Training Program, and the Dwight D. Eisenhower Fellowship Program. I look forward to working with you as we continue these successful programs designed to introduce students to the variety of career opportunities available in the transportation community.

Over the past several years, we have also worked closely with your staff and the South Carolina State Engineer in an effort to deliver the James E. Clyburn Transportation Research Center project. The federal funding currently available provides for design and construction of the initial phases of a state-of-the-art research facility on the University's campus. However, only about \$3.5 million of the \$22 million of Federal funding currently available has actually been expended to date. While the site has been cleared, no vertical construction has begun. FHWA as well as the State Engineer have been very concerned over the delays on this project. I want to assure you that I have made this project an office priority and have dedicated significant resources. My staff has been working diligently to provide technical assistance and oversight with the goal of making this project a success. Unfortunately, we continue to see delivery dates slip, schedules not being met, and incomplete work.

For example, the construction documents needed to advertise the first phase of vertical construction for bids, were submitted for review and approval to the State Engineer and FHWA in the fall of 2007. These documents contained an inordinate amount of errors and omissions and, therefore, generated a considerable number of technical comments

primarily from the State Engineer's Office. Acceptable contract documents have not yet been submitted resulting in over ten months of corrective work rather than constructive progress.

In December 2007, FHWA and the State Engineer recommended that SCSU procure the services of a consultant manager to provide the expertise and full-time oversight needed to manage a project of this magnitude. Moreover, a well-qualified management firm could improve the quality of contract documents, and maintain the project schedule. We also recommended that a project management plan be developed. Unfortunately, eight months have passed and SCSU does not yet have a firm under contract, or a management plan.

I would appreciate the opportunity to meet with you and discuss this project in more detail. Our only goal is to partner with SCSU to deliver a successful project. Please do not hesitate to contact me at (803) 765-5411 if you would like to arrange a meeting.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'R. Lee', with a large, stylized initial 'R' on the left and a series of loops on the right.

Robert L. Lee  
Division Administrator

MOVING THE  
**AMERICAN**  
ECONOMY

A hand-drawn squiggly line in black ink, starting from the right side of the 'MOVING THE' line and extending downwards and to the right.





One Hundred Eleventh Congress  
**U.S. House of Representatives**  
**Office of the Majority Whip**

March 19, 2009

Dr. George E. Cooper  
Office of the President  
South Carolina State University  
300 College St. NE  
Orangeburg, SC 29117

Dear Dr. Cooper:

I am writing to further our discussion regarding the status of the federal designation of the University Transportation Center at South Carolina State University (SCSU).

The University Transportation Centers (UTC) program was established by the U.S. Department of Transportation in 1988 in order to expand research and education with an end goal of improving and strengthening our national transportation system. Initially 10 centers were created throughout the "standard" federal regions.

In 1998, the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) reauthorized the UTC Program for an additional six years and created 23 additional Centers at institutions named in the Act, bringing the total number of Centers to 33. As a member of the Transportation and Infrastructure Conference Committee for TEA-21, I seized the opportunity and ensured that SCSU received one of these new federally designated University Transportation Centers.

The enacted law provided \$300,000 to SCSU in FY98 and FY99, respectively. Further, the legislation provided \$500,000 in FY 2000, and FY2001, to eight of the ten institutions in the same class as SCSU. In other words, institutions had to compete for funding. In FY 2002, and FY2003, \$1million was provided to ten of the nineteen institutions combined in the law, including SCSU. According to the Federal Highway Administration (FHA), SCSU received \$5,800,000 for its UTC from 1998 to 2006. Furthermore, according to the FHA the account for SCSU's UTC is open, indicating an existing balance of \$1,423,812.

Clearly, the intent of the law was for the designated institutions to compete with one another for funding (after the first two years of funding). When the highway bill was reauthorized in 2006, SCSU lost its federal designation. I lay out this history, and these details of funding, to assist you in understanding the challenges SCSU has experienced in administering its UTC.

Dr. George Cooper  
Page 2

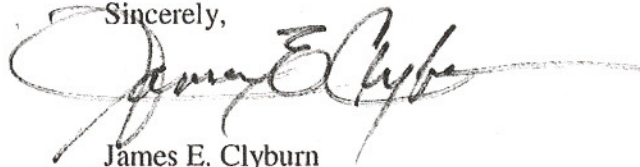
The discussions I had with representatives of the FHA and the documents they shared with me, made it very clear that they were not pleased with the operations at SCSU's UTC. It is also very clear to me that these challenges led to SCSU losing its designation. However, it is clear to me that a vision to train SCSU students, and others, in becoming transportation professionals and create a new and inviting entrance to the campus have deteriorated to a point of stagnation, which has ultimately jeopardized a unique mission.

I am willing to assist the university in trying to regain its federal status, and pursue other ventures for its students and faculty. However, until there is clear direction and leadership at the Transportation Center, I am reluctant to pursue further federal investments for this project.

I hope you find this information useful. If you wish to discuss this further or if I can provide additional information, please do not hesitate to contact me.

With kindest regards, I am

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Clyburn". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

James E. Clyburn  
Majority Whip

South Carolina



State University

OFFICE OF THE PRESIDENT

(803) 536-7013

May 4, 2009

The Honorable James E. Clyburn  
Majority Whip  
U.S. House of Representatives  
Office of the Majority Whip  
H-328, The Capital  
Washington, DC 20515

Dear Congressman Clyburn:

I am writing to acknowledge and thank you for your letter of March 19, 2009 in which you provide a chronology of activities and funding summary in support of the SC State University Transportation Center. It is clear to me that you were very influential in assuring initial and continuing support for this center. At the time of your letter, I was unaware that SC State lost its federal designation as a University Transportation (UTC) in 2006. We are however, continuing to operate under the James E Clyburn University Transportation in recognition of your continuing work for our state and nation. However, I do understand the significance of this federal designation in establishing a unique presence that provides specialized training for our students and professional development experiences for our faculty and staff through fundamental and applied research within the context of our UTC. It also positions us as a Transportation Center of Excellence among state institutions, our peer institutions and HBCUs.

I am writing to let you know that I welcome any council, advice and assistance you are able to provide in regaining the federal status for our UTC. Having worked in Washington, DC with the U.S. Department of Agriculture, I understand the importance of full disclosure and accountability in the use of Federal funds in support of university programs, particularly those important in our long range planning.

I am assessing needs, particularly in the need of these tough economic times and recognize the importance of strong leadership in our transportation center to respond to these

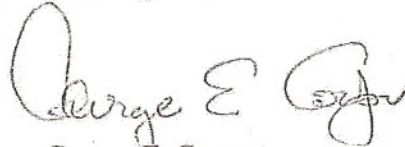
2/2

challenges. In these assessments, I am determining programmatic strengths among our faculty and ways to highlight programs that attract students, research partnerships and build bridges to align with the private sector. I can assure you that the UTC will be a visible program among our priorities and will be led and staffed by administrators, faculty and staff that we and colleagues of peer transportation centers would be proud of in leading our future efforts.

I am ready to meet and talk with you to regain your confidence for the UTC and to identify ways to work with the Federal Highway Administration to find creative ways to address national, regional and state priorities through our efforts. We do need Federal funds to strengthen the program to provide opportunity for those students who choose to attend SC State University.

Please let me know a convenient time and location for follow-up discussions.

Kind regards,

A handwritten signature in cursive script, appearing to read "George E. Cooper". The signature is written in dark ink and is positioned above the printed name.

George E. Cooper  
President

**James E. Clyburn Transportation Research and Conference Center Planning  
Committee**

**Construction Committee Meeting**

**August 20, 2008**

**Minutes**

Attendees:

Harvey Ezekiel – A/E Team  
Don Freeman – Consultant  
Jim L. Gordon – SCSU  
Alfred Lindsay – SCSU  
Dr. Leonard McIntyre – SCSU

The James E. Clyburn Transportation Research and Conference Center Planning Committee held its monthly meeting on August 20, 2008. Mr. Don Freeman presided. The construction committee members discussed the construction process close out for Phase 1A and 1B of the proposed Center which included the following agenda items: a financial report, construction progress report, an update on land titles, and general questions and concerns from the committee. Mr. Ezekiel made a motion to accept the July 23, 2008 minutes. Mr. Lindsay seconded the motion. The motion carried.

There was no new finance report at this meeting. Mr. Freeman reminded everyone that a current finance letter dated May 12, 2008 was forwarded to Mr. Smalls from Mr. Robert L. Lee of the Federal Highway South Carolina Division office.

Mr. Lindsay reported that Edisto Surveyors, Inc. has completed ninety five (95%) percent of the land survey in the proposed Center's footprint area. Mr. Lindsay said Edisto Surveyors Inc. is projected to complete all survey work by August 29, 2008. Edisto Surveyors Inc. is contracted to provide the university the following documents: boundary survey -24 x 36" drawings, topographic survey, utility survey, and partial identification book.

Mr. Lindsay also shared with the committee projected costs to advertise for a Construction Management Advisor (CMA). Mr. Lindsay provided information for the following newspapers: The Charlotte Observer, The Greenville News, The Post and Courier, The State and The Atlanta Journal and Constitution. After much discussion, the committee agreed that the length of the ad should be reduced before resubmitting to news

papers. In addition, the University should seek review of the ad from the Office of State Engineer and the South Carolina Federal Highway Administration office.

Mr. Harvey Ezekiel and Al Lindsay reported that Phase 1A is near close out. Mr. Lindsay said the Federal Highway Administration has approved payment of change order # number 8 for 7 Star Construction Company. In addition, 7 Star Construction Company must correct the billing debit error which occurred earlier in its invoice to the university. Mr. Lindsay stated that the proper Disadvantage Business Enterprise (DBE) certification statement must be a part of the close out process. According to Mr. Lindsay and Mr. Ezekiel, full close out of Phase 1A will occur after Allen Carter, Office of the State Engineer, has reviewed and approved the close out packet (Harvey Ezekiel, amended statement).

Mr. Ezekiel reported that Phase 1B- Design and Construction Plans for the Transit Research Center and Chiller Plant will be resubmitted to the Office of State Engineer during the week of September 2-5, 2008. Mr. Lindsay recommended that Mr. Ezekiel submit the plans with all land survey work completed.

Mr. Freeman discussed with the committee the concerns Mr. Robert Lee, FHWA, stated in his letter to the President dated August 5, 2008. He said the University is not being viewed favorably by the FHWA in terms of the productivity on this project.

Dr. McIntyre also shared with committee his concerns about the content of the President's letter from the FHWA. He was not satisfied with the resubmittals, dates slips, schedules not being met and other incomplete work associated with the project. Dr. McIntyre asked the committee to put together an action plan to expedite and facilitate the implementation of Phases 1A and 1B. He stated that the action plan should include the task to be performed, the person responsible, and the necessary action to complete it.

The meeting adjourned at 12:50 PM.

The next meeting date is September 17, 2008.

# Agency Comments

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**Appendix B**  
**Agency Comments**

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## **Management's Response**

*to*

South Carolina Legislative Audit Council's  
Audit of James E. Clyburn University Transportation Center

***“A Review of South Carolina State University:  
Construction of the James E. Clyburn University Transportation Center  
and Transportation Programs Associated with the Center”  
June 2011***

**Submitted: June 17, 2011**

**South Carolina State University**  
300 COLLEGE STREET, NE. ORANGEBURG, SOUTH CAROLINA 29117

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# **SC State University Management's Response**

To

## **LAC Audit of James E. Clyburn University Transportation Center**

*"A Review of South Carolina State University: Construction of the James E. Clyburn University Transportation Center and Transportation programs Associated with the Center"*

**Final Report - June 2011**

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### **Preface**

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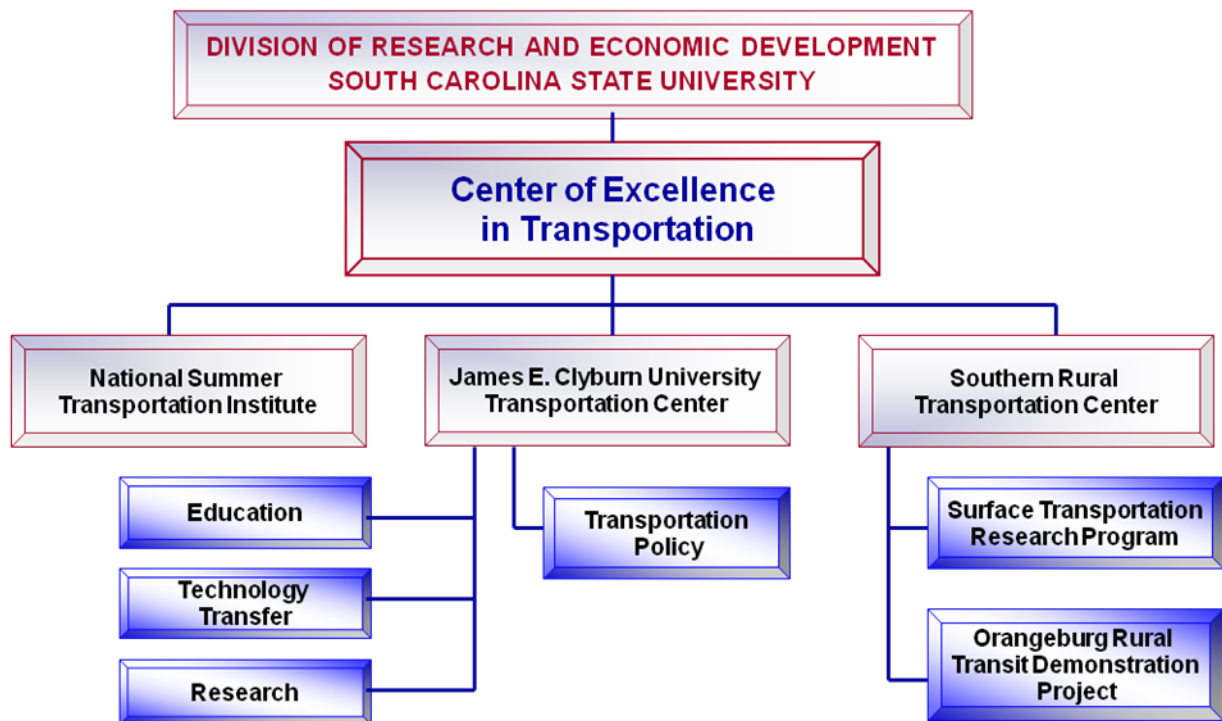
The South Carolina Legislative Audit Council (LAC) completed an audit titled "Review of South Carolina State University: Construction of the James E. Clyburn University Transportation Center and Transportation Programs Associated with The Center" (the audit report), dated June 2011. The "Major Findings" section of the audit report verifies that there was "...no evidence of missing funds..." SC State University's Administration and Board of Trustees has and continues to stand firm in its position that allegations and media reports that more than \$50 million in federal funds is "missing" is false. These false allegations and media reports caused the general public's and other University constituent's reliance on false information. The University itself suffered great reputational harm due to these unsubstantiated false claims.

Nonetheless, findings and recommendations resulting from the audit performance by the LAC staff deserve the University's immediate attention. The eighteen recommendations for improvement are being immediately addressed. Many of audit report's findings and recommendations were previously identified in prior audits. These prior audits were performed with concurrent period of review or business activity timeframes as the LAC audit report. A significant degree of corrective action has occurred through adjustments in policy, procedure and business processes. SC State fully accepts ownership of deficiencies identified in the audit report. The University is committed to implementing corrective action to ensure improvements in its business processes. The comments that follow are submitted for clarity.

## Narrative on JECUTC Structure/Design

The University's reorganization, in July 2003, created the Division of Research. The Board of Trustees also approved the Center of Excellence in Transportation (COET), often referred to as The James E. Clyburn University Transportation Center (UTC), to administer all transportation programs. The COET included the National Summer Transportation Institute - Resource Center (NSTI-RC), The UTC, Information Technology, and the Southern Rural Transportation Center (SRTC), as shown in the organization chart below. The intent of this organizational structure was to assemble staff and identify multiple sources of funds to accomplish center objectives.

The James E. Clyburn University Center was funded initially with RITA funds from the Federal Highway Administration; and was established to assist federal, state and local agencies in meeting their goals to develop a highly skilled workforce to meet future needs in transportation. The UTC administers research, education, technology transfer, and transportation policy programs.



Under the umbrella of UTC, the **NSTI-RC** was funded by the Federal Highway Administration and in 2009-2010 was named the Summer Transportation Institute (STI). The primary goal of the NSTI-RC was to:

- Expose secondary school students to transportation by allowing them to participate in a series of academic and practical experiences designed to motivate them toward professions in the transportation industry.
- Provide secondary school students with intermodal enrichment activities to enable them to pursue careers in the transportation industry.

The **SRTC** was established under the UTC to address the needs to: improve the quality of life for small and rural communities in South Carolina and the Southern U.S. (17 states and Puerto Rico); provide an environment to conduct cutting edge rural transportation research; technology transfer activities, and education and training programs; focus on initiatives to advance transportation policy and evaluation; develop future transportation leaders; and devise new systems and solutions that benefit the rural and small communities of South Carolina, the southern U.S. and the nation.

Also under the UTC, the multidisciplinary **Education Program** in the UTC assists academic divisions and departments implementing programs of course work and experiential learning that increases the number of highly trained, skilled, and qualified individuals entering the transportation profession.

In addition, the education program consists of an interdisciplinary undergraduate minor program in transportation, a program that supports undergraduate research (Dwight David Eisenhower Transportation Fellowship), and an interdisciplinary master's degree in transportation.

The **Dwight David Eisenhower Transportation Fellowship** program was established by the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991, reauthorized in 1998 by the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), and reauthorized in 2005 by the Safe, Accountable, Flexible, Efficient transportation Equity Act: A Legacy for Users (SAFETEA-LU). This program is currently funded by the Federal Highway Administration.

The **Master of Science in Transportation (MST) Degree Program** continues to attract students with a variety of majors and academic backgrounds. Data concerning the MST graduates from the program is provided below. The UTC awarded fourteen (14) student transportation fellowships for the MST program during the academic period July 2008 through June 2009. For the periods 2009-2010 and 2010-2011 MST Scholarships granted along with funding source is provided below. The UTC has also partnered with Jackson State University's Department of Homeland Security Center of Excellence to provide additional transportation assistance to MST students with an interest in transportation safety in coastal areas. As a result, MST students may apply for the National Disasters, Coastal Infrastructure and Emergency Management (NDCIEM) Transportation Fellowship.

The College of Science, Mathematics and Engineering Technology and the UTC have been active participants in recruitment opportunities throughout the state and in surrounding states of South Carolina. Some of the major recruitment efforts include visits to graduate school and

career fair days at the following colleges and universities: South Carolina State University, University of South Carolina, Bluffton, Morris College, Claflin University, Voorhees College, Benedict College, Allen University, Lander University, Virginia Tech, East Tennessee State University, and the University of Georgia.

The College of Science, Mathematics and Engineering Technology, applied for and received a federal grant in the amount \$3,500,000 for a six year period from the U.S. Department of Education. The purpose of this grant is to enhance and improve the quality and quantity of MST students, faculty development and research efforts in the MST program. The overall goal of the grant is to strengthen the MST program by increasing enrollment to include a more geographical and technically diverse student body and to expand the avenues of graduate level research. The MST courses are listed below:

**MST Courses**

TRP 540-01	Transportation Economics/Finance
TRP 601-01	Transportation Thesis
TRP 603-01	Transportation Seminar
TRP 550-01	Systems Analysis in Transportation
TRP 530-01	Transportation Planning
TRP 663-01	Data Communications and Communications Network

**FY 2009-2010**

**Fall 2009**

<b>Funding Agency</b>	<b>Number of Students</b>	<b>Amount</b>
RITA	9	\$38,079.00
Jackson State University	5	\$21,155.00

**Spring 2010**

RITA	7	\$25,783.00
Jackson State University	5	\$17,845.00
Department of Education	2	\$16,626.00

**FY 2010-2011**

**Fall 2010**

Jackson State University	2	\$8,898.00
Department of Education	6	\$30,980.00

**Spring 2011**

Jackson State University	2	\$8,898.00
Department of Education	9	\$44,327.00

Program funding for the UTC ended December 31, 2009, however the following programs were able to continue through other funding sources. The list below shows a summary of funding (in \$'s) currently used to support UTC projects. The matrix below indicates the funding source for each project.

**Note:** \*The Center for energy study in partnership with the UTC is currently conducting Hydrogen Production research.

PROJECT TITLE	FUNDING AGENCY	ABSTRACT	TOTAL AMOUNT FUNDED
Masters of Science in Transportation	United States Department of Education	This project will provide education, research, and practical experiences for graduates of the Masters of Science in Transportation program. The project will: 1) develop a Master of Science in Energy and Environment which explores the use and large scale manufacture of alternative fuels and investigate the environmental impact of them; 2) promote faculty professional development by expanding the research areas of the M.S. in Transportation	\$1,000,000
Natural Disaster, Coastal Infrastructure, and Emergency Management	United States Department of Homeland Security / Jackson State University	This project will infuse the Master of Science in Transportation Curriculum with Natural Disaster focused courses and conduct related research. Also, the project will provide funding for fellowships while developing, compiling and disseminating a guide for the Carless and for those with Special Needs in times of disaster in coastal communities. This project will increase the number of researchers available to help solve existing and future DHS challenges relating to natural disasters in coastal areas and increase student and public awareness of natural disasters in coastal areas.	\$150,000
2010 Summer Transportation Institute	United States Department of Transportation / Federal Highway Administration	The purpose of this project is to create awareness and stimulate interest in secondary school students for careers in the transportation profession and give participants an opportunity to exercise analytical skills, research skills, and computer skills to meet the goals and objectives of the institute.	\$54,560
Anderson County Feasibility Study	United States Department of Transportation / Federal Highway Administration	This project will educate the public about key mobility issues and alternative transit scenarios; Also, the project will develop and implement survey instruments to establish transit need and ridership demand and the development of alternative routes.	\$50,000
Technology Partnership Programs (Eisenhower Fellowships)	United States Department of Transportation / Federal Highway Administration	The objectives of this proposal are to attract qualified students into the field of transportation and research; and advance transportation workforce development.	\$20,000
*Center for Energy Studies	United States Department of Education	This project will establish and provide basic equipment for a new laboratory devoted to conducting energy research along five veins: 1) hydrogen fuel cells; 2) hydrogen storage in metal matrices; 3) hydrogen generation through biomass decomposition and bio-catalyst; 4) solar cells and thin film physics; and 5) direct energy conversion cells using radioactive isotopes.	\$198,423
Optimization and Simulation of Integrated Biomass and Bio-energy Logistics Networks	United States Department of Agriculture	This project seeks to develop a comprehensive and interdisciplinary program focusing on bio-energy and related research areas. This program will investigate the bio-processing technologies, biomass and bio-fuel logistics, economic analysis of producing and using bio-fuel, bio-fuel and agribusiness, lifecycle of analysis of bio-fuel, and environmental analysis of bio-fuel.	\$499,921
The Expansion of an Analytical National Testing and Research Center for Hazardous Material Transportation Safety	Department of Energy	The goal of this project is to build upon the existing relationship with DOE's Environmental Management (EM) division to conduct research in the area of HAZMET transportation to address the scientific and technical needs of DOE.	\$436,998

## **“Loss” of Tier 1 UTC Designation**

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SC State University submitted a grant application to the **University Transportation Centers Program: Grant Solicitation for Tier I Centers** program (CFDA 20.701) on August 15, 2006. However, the University was not successful in its bid for funding renewal as a Tier I Center by U.S. Department of Transportation’s Technology Research and Innovation Technology Administration (RITA). The unsuccessful bid should be considered a missed funding opportunity rather than a statement of less than satisfactory performance as indicated in the LAC report. SC State disagrees with the statement that the designation “...was loss, due in part to performance.” The grant application was submitted in an effort to garner continuing federal grant support. The application for funding was assessed based on prescribed evaluation criteria contained in the Request for Proposal by a competitive review process prescribed by the funding agency. The Tier 1 designation was not renewed due to lack of success in the established competitive bid process for SC State University and several other applicants. During the entire performance period of the RITA project, SC State received no written or verbal communication indicating that the funding federal agency was dissatisfied with the performance of its Tier I Transportation Center. In addition, all performance reports were submitted, as required by RITA in accordance with the terms and conditions of the grant.

The loss of the Tier I Transportation Center designation impacted programs in the UTC in various ways. Although this specific federal program funding for the UTC ended December 31, 2009, programming continued through other funding sources.

The audit report states that positions were “eliminated” due to loss of the Tier 1 designation. In reference to employment positions in the UTC, as with other extramurally funded grant activities, under university policy, these were temporary grant positions funded with federal grant funds. These positions were not established as State of South Carolina FTE positions. These positions, by definition end when the federal funding supporting them is exhausted. At full operation, the UTC employed 12 full-time staff positions. While these positions contributed to the overall success of the UTC’s program, at the end of the available grant funding all positions were discontinued. Of the 12 individuals with significant roles, 7 found positions with other units on the campus and 5 left the University.

## **Disadvantaged Business Enterprise (DBE)**

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The State of South Carolina “*encourages*” adherence to DBE guidelines. As policy, SC State follows federally mandated DBE guidelines for federally funded projects regarding DBE requirements. FHWA guidelines mandate a minimum of 10% minority interest as noted in the LAC audit findings. SC State is compliant with this federal mandate as it implemented the Request for Proposals (RFP) following FHWA and State Procurement guidelines. DBE and all other bidder requirements were included in the documentation provided by the University during the procurement process. DBE and all other requirements were approved by FHWA, Office of the State Engineer (OSE) and State of South Carolina Procurement Office prior to commencement of the bid process. The DBE requirements were also discussed during the



public bid opening meeting for the benefit of the companies expressing an interest in bidding on the various construction components of the federally funded UTC. Responders were encouraged to ask for assistance where needed prior to the submission of bids and a contact person from SC State was included in the procurement document. During the pre-bid conference, SC State University, representatives from FHWA and the Office of the State Engineer responded to questions, as appropriate, to ensure a successful bid process. There were no questions during the session or following the bid opening, from prospective bidders in reference to the DBE requirement.

Following the opening of construction bids, it was determined in the OSE managed procurement process that 16 of 17 bidders did not meet the 20% DBE requirement as stated in the bid documents. During the LAC audit, the bid documents were reviewed by the University and LAC staff and it was determined that in fact, 16 of 17 did not meet the federal minimum 10% requirement. A protest of the intent to award was followed by submission of additional documentation by the challenging companies to the OSE. During review by OSE, it was determined that these companies failed to provide satisfactory evidence of meeting the bid requirements, including the DBE requirement. Subsequently the construction award was affirmed by OSE with a contract awarded to the only qualifying company submitting bids under the approved RFP. It should also be noted that the bid in question was not a lowest bid award, but a lowest responsive and responsible bid award. This decision was affirmed by FHWA and construction proceeded with approval to allocate federal funding. To relieve any confusion in the interpretation of bid requirements, SC State will implement additional measures, such as specific training sessions, to ensure that DBE and other requirements are successfully communicated to potential bidders.

## **Funding Sources of Transportation Center**

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The audit report states that loss of the T1 designation "...may also make it more difficult to justify additional federal funding for construction". The T1 designation funded teaching and research programs unrelated to the UTC construction funding. Therefore, the loss of the designation does not impact "construction" funding for the UTC. The UTC is a virtual center supported by multiple funding sources. Initial funding was provided by RITA (Tier 1 designation) funds; however, the UTC was never intended to be and has not been solely funded by RITA funds. Other funding sources have been used, and continue to be used, to support the programs, construction and other UTC goals and objectives.

The University's Administration and Board of Trustees will be engaged in activity to identify funding sources for completion of successive phases of the UTC as it relates to the overall success of the UTC program. Conversations will include the following entity types:

- private sector companies
- federal agencies
- congressional delegation
- state legislative body
- other potential stakeholders

## Dual Employment

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The audit report includes a section titled “Dual Employment”. The resulting recommendation states “SC State University should revise its dual employment policy to ensure that it is in compliance with requirements concerning the rate of pay and to require that employees document that work performed, as dual employment, exceeds the work required of the employee’s primary position.” SC State’s policy on dual employment states “Both the employing agency and the requesting agency must determine rate of pay based on the Fair Labor Standards Act requirements for nonexempt employees”. The Fair Labor Standards Act (FLSA) requires that nonexempt employees be paid at one and one-half their rate of pay for hours worked over 40 in a workweek. This policy makes it the responsibility of both agencies to ensure that employees are paid in compliance with the FLSA as the applicable federal regulation (which only addresses pay since the practice of dual employment is not a Federal, but a State regulation). State of South Carolina Human Resources Regulations under Section D. Compensation for Dual Employment, Item 2 states “Both the employing agency and the requesting agency must comply with the provisions of the Fair Labor Standards Act (FLSA)” again, making it the responsibility of both agencies to ensure payment complies with the FLSA. Documentation of work performed exceeding the work required of the employee’s primary position is reviewed and approved upfront during the approval process. State HR regulations under Section A, General Provision Item #1 allow “agencies [to] develop internal dual employment policies”. To relieve any confusion in the interpretation of the wording in the University’s policy, a committee has been appointed for a review of the University’s policy. This work is in progress.

## Travel Policy Compliance with GSA Lodging Limits

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The audit report contains a section titled “Travel”. The resulting recommendation states that “SC State University should adopt the GSA lodging limits for all travel and comply with the state travel policy on meal reimbursements.” The University is bound by the GSA rates for lodging only when paid for by general funds as stipulated in proviso 89.24 of the FY 09-10 appropriations act and provisos in previous acts. SC State recognizes that all general funds are expended on faculty salaries with the current exception of PSA match funds. Therefore all travel, excluding travel under PSA match funds, are exempted from proviso 89.24 of the FY 09-10 appropriations act. The University’s travel policy will be amended to state that all meal reimbursements will comply with the State of South Carolina meal rates and guidelines. We contend that the travel policy of the University is in compliance with regulations.

## **Management Oversight of Construction Project**

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The audit report contains a section titled "Repayment of Funds Improperly Obtained" Included in the section is a statement "we found that this former employee is employed by a SCSU contractor overseeing construction of the Transportation Center." SC State does not agree with statements referencing the former employee's management and oversight of the construction project. Since March 2009 this project has been overseen by the construction management advisor namely, Construction Dynamics, Inc. (CDI). This contract is in place through the completion of Phase 1. Prior to CDI, the project was managed by another SCSU employee as Associate Director of Planning & Construction.

## **Reimbursement Requests**

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In the section titled "Travel" the audit report identifies instances of "questionable expenditures". Since being made aware, the Vice President for Research conducted an investigation and concluded that individuals involved in this matter will be subject to the University's progressive disciplinary policy.

## **Board Oversight**

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The audit report included a section titled "Board Oversight". It states "The Board of Trustees of SC State University has not taken an active role in overseeing the center and approving changes to the center's plans. We found that, while the board has received reports concerning the progress of construction of the JECUTC, it does not approve significant changes to the plans for the JECUTC, nor does it have a role in approving the fundraising plans for the JECUTC." The resulting recommendation states "The SC State University Board of Trustees should implement a process for overseeing the construction and the fundraising needed to complete the James E. Clyburn University Transportation Center".

The University's Board of Trustees has the responsibility for approving all significant changes in the scope of an approved building project; however, the Board of Trustees does not approve change orders which do not detract from the planning approved for a building project. Additionally, ensuring that fundraising efforts meet the needs and obligations of all facets of university operations is a core responsibility of the SC State University Board of Trustees and Administration to work in ways to support the Mission and programs of the University.

## Communication With the Public

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The audit report includes a sub-section titled "Communications With the Public". This sub-section references various Project Implementation Plan (PMP) deliverables relating to keeping the public informed of construction progress and other matters. The University has approved a public information policy in relation to the UTC and will comply with the stated objectives to build public support, trust and confidence in the project. The implementation of an email survey will be the first step followed by bi-monthly press releases of status reports and photos of the job-site.

The PMP, by definition is a "plan" for the execution of major activities and guidance required to carry out and complete the full scope of the UTC. The PMP should be considered a flexible rather than static plan. The plan is subject to change based on unforeseen needs and project status at any given point. The "webcam" referenced in the PMP document would have monitored the progress and public interest of a contiguous portion of the construction effort. The effectiveness and relevance of a webcam was greatly reduced due to the fact that Phase 1 of this project consists of two separate buildings not adjacent to the other and the fact that the two structures would not be in the construction phase during the same time period. The project team decided, based on budget constraints in Phase 1 that a webcam for Phase 1 was not critical to the success of the construction effort and not necessary. It was also decided that the webcam would be implemented in Phase 2 provided that the scope of Phase 2 warranted such expenditure. The service of providing a webcam has not been included in a contract scope of work as it pertains to this project.

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