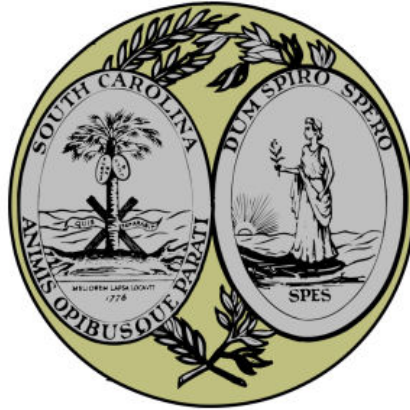


Office of the Inspector General

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Review of the State Accident Fund: Conflict of Interest in a Procurement Matter

I. Executive Summary

On 2/9/21, the South Carolina Office of the Inspector General (SIG) initiated a review of the Project Manager (PM) procurement under the statewide Third Party Consulting contract at the State Accident Fund (SAF). The SIG initiated this review at the request of Governor Henry McMaster following his issuance of Executive Order (EO) 2021-09 that removed Amy V. Cofield as the SAF director on 2/8/21. The SIG review focused on alleged violations of procurement, ethics, and other violations of state law that resulted in the selection of Cofield's spouse, Homer James ("Jimmy") Terrapin for the PM consultant position.

In the months preceding August 2020, the SAF sought to replace its claims management system, the agency's principle software application that dated to the 1990s. Upgrading the claims management system required the issuance of a Request for Proposal (RFP) by the Materials Management Office (MMO), Division of Procurement Services, State Fiscal Accountability Authority (SFAA).

Given the importance of the replacement of the claims management system and the previous implementation failure, Matthew Hansford, the SAF Deputy Director and procurement official, identified the need for a dedicated PM to oversee the implementation process. Two statewide contract avenues existed for SAF's procurement of a dedicated PM: (1) TAPFIN and (2) Third Party Consulting. Based on Hansford's representations, the MMO recommended the utilization of the statewide Third Party contract.

On 8/19/20, Hansford emailed Cofield a PDF attachment of the 21 approved vendors on the Third Party contract for Cofield's spouse, Jimmy Terrapin, to review. Hansford's message to Cofield stated, "***Attached is that list for Jimmy to review.***" Cofield forwarded the email to her spouse, Jimmy Terrapin, within five minutes of receiving the email from Hansford. In an email dated 8/28/20, Terrapin provided Cofield a list of "Required Qualifications" along with the message "***See how this looks for the PM role. Please make mods as you see fit.***" In her interview with the SIG, Cofield stated she periodically utilized Terrapin as an unofficial advisor on IT matters at the SAF because of his IT experience.

First Job Order Request (JOR) Solicitation

On 10/9/20, Hansford emailed 18 vendors from the statewide Third Party contract with a JOR seeking quotes for a PM consultant with a 30-day deadline to respond with a quote. Included among the 18 invited vendors were Globalpundits and Random Bit. None of the 18 vendors responded during the 30-day response period.

Second JOR Solicitation

Hansford reengaged with the MMO on how to proceed with acquiring a PM consultant through the statewide Third Party contract and inquired about the possibility of a vendor hiring Cofield's spouse as the PM consultant.

On 12/3/20, the MMO procurement officer responded to Hansford and stated, "***... based on the information provided, we don't believe it will be a problem so long as Amy's husband has no ownership stake in the companies and Amy [Cofield] is not involved in and does not influence the evaluation or selection process in any way.***" The MMO response included a hyperlink to the SC Code of Regulations, Chapter [19-445.2127](#) and encouraged Hansford and Cofield to review the new regulation "***...having the knowledge of all of the facts and details of the situation to ensure there is no conflict of interest present before proceeding.***" Hansford forwarded the MMO response to Cofield and stated, "***Hey! That statute is below. Thanks!***" Cofield subsequently forwarded the MMO response to Terrapin with the message "***Just FYI.***" The SIG confirmed with multiple MMO procurement officials the name of Cofield's husband was never made known to the MMO.

On 12/4/20, Hansford sent a second JOR solicitation to two of the original vendors – Globalpundits and Random Bit – with a two-week deadline to submit a quote. Both Joe Doyle, Vice-President for Globalpundits,

and Susanne Ungerer, Chief Executive Officer for Random Bit, individually responded to Hansford, Cofield, and MMO that same day of their intent to submit a quote by the deadline.

The Random Bit Response

Cofield forwarded the Random Bit response to Terrapin to which he replied, ***“Yep, that’s Gerhard’s wife. Will we know her per hour rate in time to make sure ours comes under?”*** Cofield responded, ***“Hopefully I don’t technically have to choose the lowest rate though. I just have to be able to explain why I did not.”*** Both Ungerer and the MMO procurement official stated the rate information and the competitor’s identity were privileged information and not subject to disclosure prior to the selection of a successful quote. When asked to review her email exchange with Terrapin Cofield advised the SIG that it was a poor choice of words.

On the same date, Ungerer submitted a list of ten questions to Hansford for use in Random Bit’s response. On 12/7/20, Hansford responded to Ungerer, ***“...I would be more than happy to answer your questions as long as you formally submit a proposal by 12/18/2020.”*** Ungerer responded to Hansford on 12/8/20 and declined to respond to the solicitation. During his SIG interview, Hansford stated that Cofield instructed him not to respond to Random Bit’s questions.

The Globalpundits Response

On 12/7/20, Doyle emailed Hansford and requested a scheduled call to discuss a couple of questions about the solicitation. Hansford and Doyle confirmed to the SIG that they held a telephonic discussion on 12/9/20 about Globalpundits’ questions. On 12/11/20, Doyle submitted the Globalpundits proposal to Hansford, Cofield, and the MMO official. The total cost of the proposal over the initial two-year period was \$600,000 and called for 4000 hours at an hourly rate of \$150. Doyle stated to the SIG that Terrapin had previously contacted Doyle on or about 12/3/20, and asked that Globalpundits represent him [Terrapin] in a solicitation for the PM consultant contract.

Evaluation and Selection of Globalpundits

On 12/17/20, at the request of Cofield, Hansford chaired a five-member interview and evaluation panel comprised of the SAF directors for IT, HR, Finance and the General Counsel, which interviewed Terrapin to ascertain his qualifications and suitability for the PM role. All of the panelists expressed their concerns and the poor optics regarding the appearance of a conflict of interest between Cofield and Terrapin. Hansford assured the panelists the MMO stated it could be done and “signed off” on the process. The panel eventually concluded Terrapin met the qualifications set forth in the Statement of Work (SOW).

None of the panelists, including Hansford, knew Terrapin prepared the Globalpundits proposal. In its response to JOR Question #23 that required the disclosure of a conflict or appearance of a conflict of interest Globalpundits wrote, ***“Nothing will create a conflict or appearance of conflict of interest for the duration of the contract.”*** Doyle stated during his SIG interview that Terrapin prepared the Globalpundits proposal and that a conflict of interest existed with Terrapin as the PM consultant. More important, Cofield stated to the SIG she recognized the conflict of interest even though she did not see the Globalpundits response until her SIG interview, nor did she know who assembled the Globalpundits response.

Hansford and Doyle signed the job order agreement on 1/6/21, as representatives of SAF and Globalpundits, respectively. In doing so, Hansford and Doyle certified and represented to the MMO their compliance with “Disclosure of Conflicts of Interest or Unfair Competitive Advantage” and the “Ethics Certificate.” On 1/8/21, the MMO IT procurement officer signed the job order agreement based on the SAF and Globalpundits certifications and representations. Following the removal of Cofield as the SAF director pursuant to EO 2021-09 both SAF and Globalpundits mutually agreed and terminated the PM consultant contract on 2/11/21.

Conflicts of Interest

Two conflicts of interest occurred during the course of this procurement – organizational and personal.

The organizational conflict of interest occurred between the SAF and Globalpundits in the form of an unfair competitive advantage to Globalpundits. This began when Terrapin provided technical advice on the PM SOW development in October 2020, though it did not fully affect the SAF – Globalpundits relationship until Terrapin approached Globalpundits about representing him as the PM candidate for the second JOR solicitation. On 12/4/20, Cofield disclosed to Terrapin Random Bit’s intent to submit a proposal. They further discussed interest in Random Bit’s rate information and Globalpundits’ interest in having a lower rate. The unfair competitive advantage expanded when Hansford placed conditions on answering Random Bit’s questions even though he answered Globalpundits’ questions without conditions. As a result, Random Bit declined to respond with a quote for the second JOR solicitation.

Regulation [19-445.2127](#) provides an avenue for the procuring agency to waive an organizational conflict of interest if it is in the best interest of the state. Given the cost of the procurement, a SAF waiver required a written determination from the state’s Chief Procurement Officer. The SIG determined the SAF did not seek a waiver of the organizational conflict of interest.

The personal conflict of interest occurred for Cofield when SAF selected Terrapin as the PM consultant and she failed to comply with the requirements of the State Ethics Act. Cofield acknowledged to the SIG she recognized the conflict of interest created by the hiring of her husband.

On 12/3/20, Cofield learned of the MMO’s response to the hiring of Terrapin and the governing regulation. Cofield knew she could not supervise Terrapin, if selected as the PM, and Terrapin could not have an ownership interest in the company selected by SAF. This, however, did not absolve Cofield’s compliance with the State Ethics Act requirements.

The [State Ethics Act](#), “Rules of Conduct,” [§8-13-700 \(B\)](#) specifically prohibited Cofield’s participation in SAF’s selection of Globalpundits due to Terrapin’s affiliation with Globalpundits and his prior work on the SOW that resulted in the Globalpundits proposal for the second JOR solicitation. The State Ethics Act required a written statement from Cofield that described the nature of her potential conflict of interest relative to her actions or decisions.

On 12/4/20, Cofield and Terrapin potentially violated [§8-13-725 \(A\)](#), when she and Terrapin discussed Random Bit’s possible bid and rate information, the disclosure of a competitor’s identity, and Cofield’s ability to select a bid that was not the lowest bid, as set forth in the following email exchange:

12/4/20 at 1:41 p.m. Terrapin email to Cofield: “Yep, that’s Gerhard’s wife. Will we know her per hour rate in time to make sure ours comes under?”

12/4/20 at 2:00 p.m. Cofield email to Terrapin: “Hopefully I don’t technically have to choose the lowest rate though. I just have to be able to explain why I did not”

Cofield continued to engage in the PM selection process up through the interview of Terrapin on 12/17/20, when she called the SAF finance director, one of the interview panelists, during the post-interview panel discussion and inquired about Terrapin’s interview results. The finance director advised the SIG she told Cofield that she hated it was Terrapin because “it’ll look bad.” The finance director further stated that Cofield agreed it would look bad and that there would be grumblings within the agency. Cofield denied this occurred in her interview with the SIG. Telephone records confirmed that Cofield called the finance director at 11:39 a.m. (EST), during the time period associated with the post-interview panel discussion, and spoke for approximately 7 minutes, 43 seconds.

Cofield advised the SIG she understood the recusal process, not only through her legal background and education, but also through training received from the State Ethics Commission. On 3/11/19, Cofield and her senior SAF managers received ethics training from the executive director of the State Ethics Commission. A 32-page ethics training PowerPoint presentation utilized for this training specifically cited ethics issues, such as self-dealing, nepotism, the recusal process, and requesting an opinion from the State Ethics Commission. The SIG confirmed with Cofield that she did not provide a written recusal in the PM consultant procurement. Cofield stated she followed the MMO's guidance and updated the SAF organizational chart to reflect Hansford's supervision of her spouse and added additional duties to Hansford's HR profile. Cofield advised the SIG that while she recognized the conflict of interest that in her mind she recused herself in the procurement. Furthermore, Cofield failed to follow the [SAF Employee Policy No. 4.00](#) (Rules of Conduct for State Employees) that states all public employees are expected to adhere to the rules of conduct outlined in the Ethics Reform Act.

Conclusion

The SAF procurement for a project manager through the statewide Third Party contract was tainted by a personal conflict of interest between Cofield and her spouse, as well as Cofield's continued involvement in the procurement process up through the interview panel's selection of Terrapin as the PM.

An organizational conflict of interest existed at the SAF that resulted in an unfair competitive advantage to the sole respondent, Globalpundits. The SAF disadvantaged Random Bit in its ability to respond to the JOR solicitation when it failed to respond to Random Bit's questions even though SAF responded to Globalpundits' questions.

None of these issues was presented to the Division of Procurement Services, SFAA, when SAF sought an opinion regarding the possibility of a vendor hiring Cofield's spouse as the PM consultant. Full disclosure of all details is required when utilizing the Division of Procurement Services. Because of these issues, the SAF and Globalpundits mutually agreed to terminate the contract on 2/11/21.

The process for mitigating procurement conflicts of interest and protecting state agencies and employees exists within the State Ethics Act and the Consolidated Procurement Code (CPC). In words commonly attributed to Mark Twain, "It is never wrong to do the right thing."

The SIG recommends that all SAF leadership and procurement personnel receive remedial procurement and ethics training, as well as annual refresher training. Additionally, the SIG recommends the monitoring of all SAF procurements by the Division of Procurement Services, SFAA, until such time it is determined the SAF is capable of fulfilling its fiduciary role and procurement responsibilities consistent with the CPC and the State Ethics Act.

The SIG extends its appreciation to the SAF staff, the Division of Procurement Services, and the South Carolina Law Enforcement Division for their assistance provided during this review.

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Administrative Note: [State Accident Fund Response](#)

[Amy V. Cofield Response to the Report](#)

II. Background

A. Predicate

On 2/9/21, the South Carolina Office of the Inspector General (SIG) initiated a review of the Project Manager (PM) procurement under the statewide Third Party Consulting contract at the State Accident Fund (SAF). The SIG initiated this review at the request of Governor Henry McMaster following his issuance of Executive Order 2021-09 that removed Amy V. Cofield as the SAF director on 2/8/21. The SIG review focused on alleged violations of procurement, ethics, and other violations of state law that resulted in the selection of Cofield's spouse, Homer James ("Jimmy") Terrapin for the PM consultant position. ([Appendix A](#))

B. Scope and Objectives

The scope and objectives were to:

- Inspect and review the SAF procurement for the PM position under the statewide Third Party Consulting contract;
- Determine if fraud, waste, abuse, mismanagement, misconduct, or wrongdoing occurred in connection with this procurement; report any suspected conduct to the Office of the Governor;
- Report any crime identified during the course of this review to the appropriate state or federal law enforcement agencies and prosecuting authority with jurisdiction over the matter; and
- Recommend policies designed to deter, detect, and eradicate fraud, waste, abuse, mismanagement, misconduct, and violations of state or federal law, and wrongdoing.

Reviews by the SIG are conducted in accordance with professional standards set forth by the Association of Inspectors General, often referred to as the "Green Book." This review used the preponderance of evidence standard.

C. Methodology

The SIG's review methodology included:

- Interviews of SAF employees relevant to the PM procurement;
- Interviews of state procurement officials knowledgeable of the PM procurement; and
- Reviews of relevant SAF and state procurement communications, procurement documentation, and telephone records.

III. State Accident Fund

A. Establishment of the State Accident Fund

In 1943, the South Carolina General Assembly established the State Accident Fund pursuant to [SC Code of Laws, §42-7-10 \(A\)](#). SC Code of Laws, [§42-7-20](#) provided for the appointment of a SAF director by the governor to a six-year term with the advice and consent of the Senate to administer the fund. On 1/7/19, Governor Henry McMaster appointed Amy V. Cofield as the SAF director. The South Carolina Senate confirmed Cofield's appointment on 5/9/19.

B. Claims Management System

In the months preceding August 2020, the SAF sought to replace its claims management system, the agency's principle software application that dated to the 1990s. Upgrading the claims management system required the issuance of a Request for Proposal (RFP) by the Materials Management Office (MMO), Division of Procurement Services, State Fiscal Accountability Authority (SFAA), since the estimated cost of the claims management system exceeded SAF's procurement certification authority. Deputy Director Matthew Hansford, SAF's procurement official, provided the specifications and requirements to the MMO procurement officer handling the claims management system RFP. A prior effort to implement an upgraded claims management system failed under the tenure of the prior SAF director.

C. Statewide Contracts: TAPFIN or Third Party Consulting

Given the importance of the replacement of the claims management system and the previous implementation failure, the SAF identified the need for a dedicated project manager (PM) to oversee the implementation process. Hansford sought guidance from the MMO on the process of acquiring a PM consultant. Two statewide contract avenues existed for SAF's procurement of a dedicated PM: (1) TAPFIN and (2) Third Party Consulting.

1. TAPFIN

The SAF utilized the TAPFIN statewide contract for a temporary IT Software Programmer/Developer in the August/September 2020 timeframe. TAPFIN has 292 authorized vendors available to state agencies with numerous job titles and billing rates. Four PM job titles and billing rates were in effect in August 2020 as set forth below:

| <u>Job Title</u> | <u>Low</u> | <u>High</u> | <u>Not to Exceed</u> |
|--|---------------------|---------------------|----------------------|
| Project Manager-Advanced | 63.33 | 73.88 | 84.43 |
| <i>Project Manager-Consultant</i> | <i>78.16</i> | <i>91.18</i> | <i>104.21</i> |
| Project Manager-Intermediate | 52.70 | 61.49 | 70.27 |
| Project Manager-Project Lead | 73.67 | 85.95 | 98.23 |

To utilize TAPFIN's services the agency submits a Statement of Work (SOW) to TAPFIN, which in turn provides several candidate resumes to the agency for consideration based on the qualifications set forth in the SOW. The agency makes its selection based on the SOW and the lowest cost for the most qualified candidate. The TAPFIN contract is more conducive to an agency seeking an individual PM as opposed to a project team.

2. Third Party Consulting

The statewide Third Party Consulting ("Third Party") contract had 21 vendors available to an agency. Under the Third Party contract, the agency issues a Job Order Request (JOR) directly to a minimum of two vendors for a Job Order Quote similar to a standard procurement. The agency evaluates and selects from the quotes received based on the lowest cost for the most qualified candidate. The 21 vendors have individual agreements with the state that include separate pricing by personnel categories. Typically, the Third Party contract provides the agency the flexibility to choose an individual PM or a project team.

Based on Hansford's representations, the MMO recommended the utilization of the statewide Third Party contract.

IV. Investigation and Analysis

A. Statement of Work Development and Initial Job Order Request Solicitation

As early as July 2020, Hansford and Cofield discussed the use of a PM consultant for the claims management system RFP. These discussions involved the MMO procurement officer overseeing the RFP about the possibility of utilizing an existing SAF contract for actuarial services as the procurement vehicle for the PM consultant. On 8/3/20, the MMO procurement officer notified Hansford and Cofield the actuarial services contract could not be utilized for this purpose; however, the use of a statewide contract was “the quickest and most audit-proof method available to get a consultant and project manager onboard.” By mid-August 2020, the SAF had three separate procurement matters underway with the MMO: (1) claims management system RFP; (2) PM consultant for the claims management system RFP; and (3) a temporary IT position for a System Programmer/Developer.

On 8/19/20, Hansford emailed Cofield regarding the use of the Third Party contract and a PDF attachment of the 21 approved vendors on the Third Party contract for Cofield’s spouse, Jimmy Terrapin, to review. Hansford’s message to Cofield stated, “*Attached is that list for Jimmy to review.*” Cofield forwarded the email to her spouse, Jimmy Terrapin, within five minutes of receiving the email from Hansford.

In an email dated 8/28/20, Terrapin provided Cofield a list of “Required Qualifications” along with the message “*See how this looks for the PM role. Please make mods as you see fit.*” Thirteen minutes later, Cofield forwarded Terrapin’s email recommendations to Hansford. Hansford replied to Cofield, “*I thought of a few more things to add. I’ll have a rough draft for you next week.*”

On 9/1/20, Hansford provided Cofield a status on the PM SOW development along with a draft of the SOW. On 9/2/20, Cofield forwarded Hansford’s email with the SOW draft to Terrapin. On 9/9/20, Hansford emailed Cofield the completed draft of the SOW. Five minutes later on the same date, Cofield forwarded Hansford’s email to Terrapin with the final draft of the SOW with the message, “*fyi.*” ([Appendix B](#))

Between 9/9/20 and 9/30/20, Hansford communicated with the MMO on eight separate occasions, primarily in regards to the PM consultant SOW, but also in regards to the claims management system RFP development. The 9/30/20 email included Cofield in the communication. On 10/9/20, Hansford emailed 18 vendors from the statewide Third Party contract with a JOR seeking quotes for a PM consultant. Included among the 18 invited vendors were Globalpundits and Random Bit. This JOR solicitation had a 30-day deadline to respond with a quote.

In her interview with the SIG, Cofield stated she periodically utilized Terrapin as an unofficial advisor on IT matters at the SAF because of his IT experience. In August and September 2020, Cofield utilized Terrapin in the job requirements development for a temporary IT System Programmer/Developer. The SAF utilized the TAPFIN contract to fill this temporary IT position. Cofield briefly utilized Terrapin on the claims management system RFP in October 2020.

B. Second Job Order Request Solicitation

None of the 18 vendors responded to the first JOR solicitation during the 30-day response period. Between 11/16/20 and 12/1/20, Hansford, Cofield and the SAF Human Resources (HR) director held internal discussions on how to proceed with the PM consultant role. These included discussions on the possible use of an internal employee in a collateral duty role as the PM. Hansford reengaged with the MMO on how to proceed with acquiring a PM consultant through the statewide Third Party contract.

The SIG determined through interviews conducted of Hansford, Cofield and various MMO procurement officials that Hansford inquired about the possibility of a vendor hiring Cofield's spouse as the PM consultant. Both Cofield and Hansford confirmed to the SIG, they previously discussed the topic of a vendor hiring Terrapin with the SAF HR director. During this discussion, the HR director opined on the possibility of having Terrapin as the PM consultant if Terrapin was not a SAF employee but employed at another company.

On 12/3/20, Kristen Hutto, the MMO procurement officer for the statewide Third Party contract, responded to Hansford via email regarding the employment of Cofield's husband by a vendor for the PM consultant role. Hutto stated, ***"... based on the information provided, we don't believe it will be a problem so long as Amy's husband has no ownership stake in the companies and Amy [Cofield] is not involved in and does not influence the evaluation or selection process in any way."*** Hutto further provided a hyperlink to the SC Code of Regulations, 19-445.2127 and encouraged Hansford and Cofield to review the new regulation ***"...having the knowledge of all of the facts and details of the situation to ensure there is no conflict of interest present before proceeding."***

On the same date, Hansford forwarded the MMO response to Cofield and stated, ***"Hey! That statute is below. Thanks!"*** Cofield subsequently forwarded the MMO response to Terrapin with the message ***"Just FYI."*** A SIG review of the email exchange and interviews conducted of Hutto and two additional MMO procurement officials confirmed the name of Cofield's husband was never made known to the MMO. ([Appendix C](#))

C. Vendor Quotes and Responses

On 12/4/20, Hansford emailed Joe Doyle, Vice-President for Globalpundits, and Susanne Ungerer, Chief Executive Officer for Random Bit, with a second JOR solicitation for the PM consultant. Each email included Cofield and Hutto as recipients. This second solicitation period closed on 12/18/20. The SIG confirmed with Hutto only two vendors were required for a quote on the statewide Third Party contract.

1. The Random Bit Response

On 12/4/20, Ungerer (Random Bit) acknowledged Hansford's JOR solicitation and her intent to submit a proposal by the 12/18/20 deadline. Ungerer included Cofield and Hutto in her reply. On the same date, Cofield forwarded Ungerer's email response to Terrapin. Terrapin replied to Cofield, ***"Yep, that's Gerhard's wife. Will we know her per hour rate in time to make sure ours comes under?"*** Cofield responded, ***"Hopefully I don't technically have to choose the lowest rate though. I just have to be able to explain why I did not."***

Ungerer and Hutto confirmed to the SIG that the knowledge of a respondent's quote information prior to the end of the solicitation period constituted an unfair competitive advantage to other respondents. Both Ungerer and Hutto stated the rate information and the competitor's identity were privileged information and not subject to disclosure prior to the selection of a successful quote.

When asked to review the email exchange with Terrapin, Cofield stated to the SIG that it was a poor choice of words.

On 12/4/20, Ungerer submitted a list of ten questions to Hansford regarding the SOW for use in Random Bit's response. Ungerer included Cofield and Hutto in her email to Hansford. On 12/7/20, Hansford responded to Ungerer, ***"...I would be more than happy to answer your questions as long as you formally submit a proposal by 12/18/2020."*** Ungerer responded to Hansford on 12/8/20 and declined to respond to the solicitation.

During his SIG interview, Hansford stated that Cofield instructed him not to respond to Random Bit's questions. Hansford did not consult with Hutto when he responded to Ungerer with the conditions of answering her questions only if she submitted a quote. Hutto advised the SIG even though an agency's use of the

statewide Third Party contract is less formal than a typical RFP solicitation all respondents should be treated equally. ([Appendix D](#))

2. The Globalpundits Response

On 12/4/20, Doyle (Globalpundits) acknowledged Hansford's JOR solicitation and replied, "***We will be happy to,***" and included Cofield and Hutto in his reply. On 12/7/20, Doyle emailed Hansford and requested a scheduled call to discuss a couple of questions about the solicitation. On 12/8/20, Doyle submitted his questions to Hansford. Hansford responded on 12/9/20 with the intent to call Doyle that afternoon. Hansford and Doyle confirmed to the SIG that they held a telephonic discussion on 12/9/20 about Globalpundits' questions. By comparison, the SIG observed similar content in the Globalpundits and Random Bit questions. On 12/11/20, Doyle submitted the Globalpundits proposal to Hansford, Cofield and Hutto. The total cost of the proposal over the initial two-year period was \$600,000 and called for 4000 hours at an hourly rate of \$150. ([Appendix E](#))

The SIG observed the TAPFIN statewide contract had lower costs and a significantly larger pool of vendors to draw from than the Third Party contract for the PM consultant. A comparative cost analysis identified the hourly rate of \$104.21 under the TAPFIN contract would have cost \$416,840 as opposed to the \$600,000 cost under the Globalpundits proposal – a savings of \$183,160 over the two-year period of the contract.

Doyle stated to the SIG that Terrapin had previously contacted Doyle on or about 12/3/20 and asked that Globalpundits represent him [Terrapin] in a solicitation for the PM consultant contract, which received no responses on the first solicitation. During this conversation, Doyle asked Terrapin what the target hourly rate was in the SAF budget because Globalpundits had a markup of 1.35. Doyle stated that Terrapin informed him the SAF director [Cofield] was Terrapin's spouse. Doyle further stated Terrapin informed him that Globalpundits would receive a solicitation the next day (12/4/20). Doyle stated Hansford knew of Globalpundits' intent to submit Terrapin as its PM candidate. Hansford advised the SIG he informed Cofield that Globalpundits submitted a proposal with Terrapin listed as the PM consultant. Cofield advised the SIG she knew Terrapin submitted his resume to Globalpundits.

D. Evaluation and Selection of Globalpundits

On 12/14/20, Hansford communicated with Hutto about the evaluation and interview process of Globalpundits, the sole respondent to the second JOR solicitation. In her initial response, Hutto recommended that Hansford, "***...wait until the December 18th deadline you originally gave before taking any action. If GlobalPundits is the only Job Order Quote you receive, you can move forward by issuing the purchase order. If you want to setup an interview, that's totally fine but it's not required.***" Concurrent with the Hansford – Hutto communication, Cofield emailed Hansford and the directors of IT and HR, and asked, "***Do y'all think it's possible to squeeze the interview in before the holidays?***" ([Appendix F](#))

On 12/15/20, Hansford asked Hutto about the possibility of interviewing the Globalpundits candidate that same week without making a decision until the following week, since the solicitation period did not close until Friday, 12/18/20. Hutto responded that Hansford could move forward with the interview, but she cautioned Hansford, "***...if Random Bit ends up submitting a Job Order quote, you'll have to interview them as well.***" Hansford contacted Doyle and secured an interview with Terrapin for Thursday, 12/17/20, at 10:00 a.m.

Hansford subsequently assembled the interview panel with the four SAF senior managers from Information Technology (IT), Finance, HR, and General Counsel. ([Appendix G](#))

1. Post-Interview Panel Discussion

The post-interview panel discussion was less formal than a typical procurement. Specifically, the panelists did not score the Globalpundits quote, and no formal vote occurred to award the procurement to Globalpundits. Several panelists questioned the necessity of holding an interview.

Through interviews conducted of each interview panelist, the SIG determined each panelist voiced their concerns over the hiring of Cofield's spouse as the PM consultant. Multiple panelists described Hansford as "defensive" when the conflict of interest issue was raised. Hansford assured the interview panel that MMO stated it could be done and "signed off" on the process. All members, including Hansford, confirmed discussions were "heated" particularly surrounding the SAF budget and payment for the PM consulting contract, in addition to the appearance of a conflict of interest. Hansford and the directors for IT, HR and Finance each advised they cautioned Cofield about the poor optics of hiring Terrapin as the PM consultant even before the solicitation period closed. The interview panelists ultimately agreed Terrapin met the qualifications set forth in the JOR.

2. The Globalpundits Proposal and Contract Execution

None of the panelists, including Hansford, knew Terrapin prepared the Globalpundits proposal. In its response to JOR Question #23 that required the disclosure of a conflict or appearance of a conflict of interest Globalpundits wrote, "*Nothing will create a conflict or appearance of conflict of interest for the duration of the contract.*" ([Appendix H](#))

Doyle stated during his SIG interview that Terrapin prepared the Globalpundits proposal. Doyle acknowledged that he did not provide sufficient review of Terrapin's responses prior to its submission and that a conflict of interest existed with Terrapin as the PM consultant. More important, Cofield stated to the SIG she recognized the conflict of interest even though she did not see the Globalpundits response until her SIG interview, nor did she know who assembled the Globalpundits response.

Hansford and Doyle signed the job order agreement on 1/6/21, as representatives of SAF and Globalpundits, respectively. In doing so, Hansford and Doyle certified and represented to the MMO their compliance with "Disclosure of Conflicts of Interest or Unfair Competitive Advantage" and the "Ethics Certificate."

On 1/8/21, Hutto signed the job order agreement as the SFAA IT procurement officer based on the SAF and Globalpundits certifications and representations. Hutto and other state procurement officials advised the SIG that no telephonic or email communication ever identified the name of Cofield's spouse. Consequently, when Hutto received the executed job order agreement that included Terrapin's resume and qualifications the general reaction within MMO was "SAF decided to go a different route." ([Appendix I](#))

V. Conflict of Interest in a Procurement Matter

The [South Carolina Consolidated Procurement Code](#) (CPC) found in the SC Code of Laws, §11-35-10 et seq., governs the state's purchase of goods and services. Section 11-35-20 (2) sets forth several underlying purposes and policies of the CPC, including "(a) to provide increased economy in state procurement activities...while ensuring the procurements are...in compliance with the provisions of the Ethics Government Accountability and Campaign Reform Act."

The state's Division of Procurement Services, SFAA, provides an index to procurement codes and regulations on the SFAA's public website for use by agencies and vendors. The index's "Conflicts of Interest" section identifies the relevant organizational and personal conflicts of interest regulation and ethics statutes.

A. Organizational Conflict of Interest – State Accident Fund

On 12/3/20, Hutto informed Hansford and Cofield (by extension) of state regulation [19-445.2127](#) when she responded to Hansford’s inquiry about a vendor hiring Cofield’s husband for the PM consultant position. The regulation sets forth specific activities and relationships with the state that constitute a conflict of interest, including when a business has an unfair competitive advantage.

For the SAF’s PM consultant procurement, an unfair competitive advantage began when Terrapin provided advice to SAF [Cofield and Hansford] in the SOW development prior to the October JOR solicitations. According to Cofield, during the first JOR solicitation, four talent managers recruited Terrapin for four vendors to fill the role as PM consultant. In each instance, Terrapin declined their offer because he was married to the agency head. Furthermore, an organizational conflict of interest existed due to Globalpundits’ representation of Terrapin as the PM consultant.

Regulation [19-445.2127](#) provides an avenue for the agency to waive an organizational conflict of interest. The responsible procurement officer, in this case, Hansford, must determine it would be in the state’s best interest of moving forward with the procurement regardless of the organizational conflict of interest. This determination must be in writing, sets forth the extent of the conflict, and requires the approval by the agency head or her designee above the level of the agency’s senior procurement official. A waiver for this procurement exceeded the SAF’s procurement authority (\$50,000) and required a written determination by the state’s Chief Procurement Officer.

The SIG determined Hansford did not waive SAF’s organizational conflict of interest with Globalpundits. The SIG confirmed with the Division of Procurement Services that SAF did not seek a written waiver from the state’s Chief Procurement Officer as provided for in the regulation.

B. Personal Conflict of Interest – Amy V. Cofield

Cofield’s conflict of interest began on 12/3/20, when Hansford received Hutto’s response, along with the governing regulation, regarding Cofield’s spouse as the PM consultant through the statewide Third Party contract. Hutto remarked that Cofield could not supervise Terrapin, if selected as the PM, and Terrapin could not have an ownership interest in the company selected by SAF. This, however, did not absolve Cofield’s responsibility to comply with the State Ethics Act requirements.

The State Ethics Act, “Rules of Conduct,” are found in the SC Code of Laws, [§8-13-700](#) through [§8-13-795](#) and govern state employees in their official capacity, duties, and disclosure of potential conflicts of interest. Section [8-13-700 \(B\)](#) specifically prohibited Cofield’s participation in SAF’s selection of Globalpundits due to Terrapin’s affiliation with Globalpundits and his prior work on the SOW that resulted in the Globalpundits response to the second JOR solicitation. The State Ethics Act required a written statement from Cofield that described the nature of her potential conflict of interest relative to her actions or decisions.

On 12/4/20, Cofield and Terrapin potentially violated [§8-13-725 \(A\)](#), when she and Terrapin discussed Random Bit’s possible bid and rate information, the disclosure of a competitor’s identity, and Cofield’s ability to select a bid that was not the lowest bid, as set forth in the following email exchange:

- 12/4/20 at 1:41 p.m. Terrapin email to Cofield: “Yep, that’s Gerhard’s wife. Will we know her per hour rate in time to make sure ours comes under?”
- 12/4/20 at 2:00 p.m. Cofield email to Terrapin: “Hopefully I don’t technically have to choose the lowest rate though. I just have to be able to explain why I did not”

This email exchange occurred one day after Hansford provided Hutto's response and referenced regulation 19-445.2127 to Cofield.

Cofield continued to engage in the PM selection process up through the interview of Terrapin on 12/17/20, a full two weeks after receiving Hutto's response. On that date, the Terrapin interview began at 10:00 a.m. and lasted approximately one hour, followed by a post-interview panel discussion.

During the post-interview panel discussion, Cofield called the SAF finance director, one of the interview panelists, and inquired about Terrapin's interview results. The finance director advised the SIG she told Cofield that she hated it was Terrapin because "it'll look bad." The finance director further stated that Cofield agreed it would look bad and that there would be grumblings within the agency, but that Hansford handled it correctly. In her interview with the SIG, Cofield denied this occurred.

The SIG confirmed through a review of telephone records that Cofield called the finance director at 11:39 a.m. (EST) and spoke for approximately 7 minutes, 43 seconds. This telephone call was preceded by a call to Cofield from Terrapin at 11:24 a.m. (EST) that lasted approximately 7 minutes, 25 seconds.

Hansford advised the SIG he believed he contacted Cofield after the post-interview discussion was completed. The SIG confirmed through a review of telephone records that Hansford contacted Cofield at 12:49 p.m. (EST) and spoke for approximately 20 minutes, 50 seconds, and again at 3:08 p.m. (EST) for an additional 9 minutes, 44 seconds. At 3:18 p.m. (EST), Cofield contacted Terrapin and spoke for 2 minutes, 4 seconds.

C. Ethics Training and State Accident Fund Employee Policies

Cofield advised the SIG she understood the recusal process, not only through her legal background and education, but also through training received from the State Ethics Commission. On 3/8/19, the former SAF chief counsel received an email from the Executive Director for the State Ethics Commission that confirmed a scheduled ethics training session on 3/11/19 for Cofield and senior SAF managers. The email attached a 32-page ethics training PowerPoint presentation. The conflict of interest was specifically cited in the training materials, along with self-dealing, nepotism, the recusal process, and requesting an opinion from the State Ethics Commission. ([Appendix J](#))

The SIG confirmed with Cofield that she did not provide a written recusal in the PM consultant procurement. Cofield stated she followed Hutto's guidance and updated the SAF organizational chart to reflect Hansford's supervision of her spouse and added additional duties to Hansford's HR profile. Cofield advised the SIG that while she recognized the conflict of interest that in her mind she recused herself in the procurement. In addition, the SAF HR director confirmed to the SIG that Cofield did not provide a written recusal to HR in regards to the PM procurement.

The SAF Employee Policy Manual applies to all SAF employees, including Cofield, and provides an overview of general employment issues from the Division of State Human Resources and the state's HR regulations. Section I, Part B, of the SAF policy manual specifically identified regulation R19-701.06 (Ethics Act) as a governing policy for SAF employees. The SAF Policy No. 4.00 (Rules of Conduct for State Employees) sets forth that all public employees are expected to adhere to the rules of conduct outlined in the Ethics Reform Act. ([Appendix K](#))

VI. Conclusion

The SAF procurement for a project manager through the statewide Third Party contract was tainted by a personal conflict of interest between Cofield and her spouse, as well as Cofield's continued involvement in the

procurement process up through the interview panel's selection of Terrapin as the PM. Cofield did not recuse herself from the procurement, nor did she heed the state ethics law and SAF employee policies.

Cofield and Terrapin, who authored Globalpundits' JOR response, potentially violated [§8-13-725 \(A\)](#) when they exchanged private emails about a possible Random Bit bid, the identity of Random Bit as a competitor, rate information, and the method of selecting a bid that was not the lowest.

An organizational conflict of interest existed at the SAF that resulted in an unfair competitive advantage to the sole respondent, Globalpundits. The SAF disadvantaged Random Bit in its ability to respond to the JOR solicitation when it failed to respond to Random Bit's questions even though SAF responded to Globalpundits' questions.

None of these issues was presented to the Division of Procurement Services, SFAA, when SAF sought an opinion regarding the possibility of a vendor hiring Cofield's spouse as the PM consultant. The SIG confirmed with multiple MMO procurement officials the name of Cofield's husband was never made known to the MMO. Full disclosure of all details is required when utilizing the Division of Procurement Services. Because of these issues, the SAF and Globalpundits mutually agreed to terminate the contract on 2/11/21. ([Appendix L](#))

The process for mitigating procurement conflicts of interest and protecting state agencies and employees exists within the State Ethics Act and the Consolidated Procurement Code (CPC). In words commonly attributed to Mark Twain, "It is never wrong to do the right thing."

The SIG extends its appreciation to the SAF staff, the Division of Procurement Services, and the South Carolina Law Enforcement Division for their assistance and cooperation provided during this review.

VII. Findings and Recommendations

Finding 1a: The SAF failed to adhere to the Consolidated Procurement Code, which resulted in an organizational conflict of interest at the SAF that favored one vendor over another when seeking a job order proposal for a PM procurement, in violation of SC Code of Regulations, [19-445.2127](#).

Finding 1b: The SAF senior staff failed to take appropriate action to stop the PM procurement from proceeding forward or report the matter to an appropriate authority when they learned of a potential conflict of interest between the former SAF Director, Amy V. Cofield, and her spouse, Homer James “Jimmy” Terrapin, prior to the selection of Globalpundits and Terrapin for the PM procurement.

Recommendations 1a & 1b: The SIG recommends all SAF leadership and procurement personnel receive remedial procurement and ethics training, as well as annual refresher training in both areas.

Recommendation 1c: The SIG recommends the Division of Procurement Services, SFAA monitor all SAF procurements until such time it is determined the SAF is capable of independently fulfilling its fiduciary role and procurement responsibilities in procurement matters.

Finding 2: Former SAF director, Amy V. Cofield failed to recuse herself from the SAF procurement process and prepare a written statement describing the conflict of interest when Globalpundits and her spouse, Homer James “Jimmy” Terrapin were selected as the PM for the claims management system implementation project, as required by the State Ethics Act, [§8-13-700 \(B\)](#) and (B)(1).

List of Appendices

- [Appendix A](#): Predicate for the State Inspector General's (SIG) Investigation of the State Accident Fund (SAF)
- Governor McMaster's Request Letter to the SIG, dated 2/8/21
 - Job Order – Third Party Consulting Contract with Globalpundits - Solicitation 5400015645
 - Executive Order 2021-09, dated 2/8/21
- [Appendix B](#): Statement of Work (SOW) Email Sequence 8/19/20 – 9/9/20
- [Appendix C](#): Conflict of Interest Emails on 12/3/20 between SAF and Materials Management Office (MMO)
- [Appendix D](#): Random Bit Corp. [Susanne Ungerer] Email Sequence 12/4/20 – 12/8/20 Regarding Proposal
- [Appendix E](#): Globalpundits Inc. [Joe Doyle] Email Sequence 12/4/20 – 12/8/20 Regarding Proposal
- [Appendix F](#): Emails on 12/14/20 between SAF and MMO
- [Appendix G](#): Email Sequence on 12/15/20 & 12/16/20 between SAF and MMO
- [Appendix H](#): The Globalpundits Response to SAF Job Order Request
- [Appendix I](#): Job Order – Third Party Consulting Contract with Globalpundits - Solicitation 5400015645
- [Appendix J](#): 32-page Ethics Training (PowerPoint Presentation), State Ethics Commission
- [Appendix K](#): SAF Employment Reference Policy and Rules of Conduct Policy No. 4.00
- [Appendix L](#): Contract cancellation executed 2/11/21