

# Office of the Inspector General

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*Brian D. Lamkin*



## Review of the Greenwood County and Abbeville County First Steps Partnerships

## **I. Executive Summary**

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

### Background

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

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

Michael K. Gaskin became the GCFS executive director in 2001. He subsequently founded the non-profit [Social Change Initiative](#) (SCI) in 2011. Gaskin is the SCI’s chief executive officer (CEO) and previously held a dual-employment position with ACFS as a fatherhood and parenting workshop administrator between 2008 and 2021.

Angela Pruitt became the ACFS executive director in 2001. Pruitt served as a program director for SCI between 2012 and 2014, and as SCI’s chief financial officer (CFO) between 2016 and 2019.

### Conflict of Interest Allegation

During the fiscal year (FY) [2019 annual financial audit](#) conducted by Scott and Company, the auditor identified deficiencies in internal control and noted appearances of conflict of interest between both GCFS and ACFS, and with SCI. Specifically, Gaskin served concurrently as the GCFS executive director and SCI CEO, while Pruitt served as the ACFS executive director and SCI CFO. Additionally, the auditor questioned the “reasonableness” of in-kind contributions claimed by GCFS totaling \$160,000 and ACFS totaling \$150,000 from SCI that exceeded SCI’s total expenses reported on SCI’s Internal Revenue Service (IRS) Form 990 for 2019.

The SC First Steps office provides oversight and distributes state funding to the 46 local First Steps partnerships. The First Steps local partnerships operate under a grant agreement and a common set of bylaws with the state office that are annually renewed. The [FY 2012 Grant Agreement](#), Section 21, (B), states in part:

*No officer, employee or agent of the County Partnership shall participate in the selection, award, or administration of a purchase or agreement with a vendor where, to his knowledge, any of the following has a financial interest in the other party to that purchase or agreement:*

- 1. The officer, employee, or agent;*
- 2. Any member of their immediate family;*
- 3. Their partner;*

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

Furthermore, the conflict of interest subject reflected in the [FY 2021 Grant Agreement](#), Section 11 (“Responsibilities of the Partnership”), (AA), states in part:

*Ensuring that Partnership employees cannot contract with the partnership, or its contractors, vendors, or agents, to perform services outside of their employment with the Partnership. An individual cannot perform duties or provide services both as an **employee and as a contractor or vendor of the Partnership**. [SIG emphasis]*

In September 1999, the GCFS and ACFS Boards each adopted their partnership bylaws. Article VI (Board of Directors), Section VI (j) (Conflicts of Interest), states in part:

*Directors must strive to achieve the greatest objectivity and impartiality possible in the execution of their duties. A director has a conflict of interest when such Director, directly or indirectly, is financially interested in planning, applying for or executing direct service provision, engaging personnel, grant applications, or any other activity involving planning for expenditure of funds or expending funds. Even **the appearance of a conflict of interest is to be avoided**. [SIG emphasis (See [Appendix C](#) and [Appendix D](#))*

Gaskin confirmed to the SIG that GCFS signed a Memorandum of Agreement (MOA) with SCI in FY 2019 and FY 2020 for rent, utilities and maintenance costs. The SCI Board chair, who also served on the GCFS Board, signed the MOA on behalf of SCI. In addition, the same SCI Board chair (and GCFS Board member) signed the MOA between SCI and ACFS for the same services. The SIG determined three GCFS Board members and one ACFS Board member currently or previously served concurrently as SCI Board members and failed to comply with the SC First Steps partnership bylaws regarding conflicts of interest. A diagram of the interrelationships of GCFS, ACFS and SCI can be found in [Appendix E](#) of this report.

#### Summary Findings Regarding Conflict of Interest

The SIG review determined Gaskin, as the GCFS executive director and the SCI CEO, managed and administered both sides of at least one contract (MOA) with the two organizations, which did not comply with the 2012 and 2021 grant agreements with SC First Steps, and Article VI, Section VI (j) of the GCFS bylaws regarding conflicts of interest. The SIG further determined Pruitt, as the ACFS executive director and the SCI CFO, administered both sides of at least one contract (MOA) with the two organizations, which did not comply with the 2012 and 2021 grant agreements with SC First Steps, and Article VI, Section VI (j) of the ACFS bylaws regarding conflicts of interest. The SIG determined from a review of SCI’s IRS Form 990 for the four-year period of 2012 – 2015 that Gaskin received \$213,328 and Pruitt received \$127,686 in compensation from SCI.

The SIG determined the three GCFS Board members and one ACFS Board member who currently or previously served concurrently as SCI Board members motioned and voted on issues as members of their First Steps partnerships boards that affect SCI and employees of both organizations, which did not comply with the SC First Steps grant agreement and partnership bylaws pertaining to conflicts of interest.

#### Dual Partnership Employment and Inaccurate Timesheets

The SIG confirmed with the SC First Steps office that local partnership grant agreements allow an employee of one local partnership to be employed by or enter into a contractual relationship with another local partnership.

On 1/1/08, Gaskin entered into a dual partnership employment arrangement with ACFS to serve as a fatherhood administrator conducting parenting workshops for the ACFS.

Gaskin confirmed to the SIG he did not submit time sheets for his dual employment from 2018-2021. Gaskin also admitted he did not submit time sheets for the period July 2020 – February 2021, even though the time sheets were submitted in his name. Gaskin advised the SIG the information represented on the July 2020 – February 2021 time sheets was not accurate.

Based on the time sheets Pruitt provided, the salary paid to Gaskin for February 2021 – June 2021 was substantially more than hours he actually provided for the fatherhood and parenting workshops during that period. In her SIG interview, Pruitt admitted when the SC First Steps office insisted she provide time sheets for Gaskin, as required by the grant agreement, she created time sheet documents without Gaskin seeing the documents or signing the documents. Pruitt stated she mistakenly submitted inaccurate time sheets to SC First Steps because she documented in-kind time, which inflated the hours Gaskin worked. Pruitt stated she advised SC First Steps she did not start keeping electronic time sheets until 3/1/21 for all employees of ACFS, including herself.

### Summary Findings Regarding Dual Partnership Employment

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

- The GCFS Board annually voted on and approved Gaskin’s dual partnership employment, as required in the SC First Steps grant agreement. The ACFS Board was inconsistent, only voting and approving his dual partnership employment three times;
- The SIG determined Gaskin did not complete the appropriate time sheets for either GCFS or ACFS in his dual employment for both organizations as required in the grant agreement; and
- The SIG determined Pruitt did not request time sheets from Gaskin as required in the grant agreement, and created time sheets when SC First Steps asked for proof and documentation of hours worked by Gaskin for his dual employment. The direct dual employment income to Mr. Gaskin for FYs 2019-20 and 2020-21 was more than \$30,000, along with additional costs of retirement, insurance, and other fringe benefits. The existing documentation did not support this level of work for ACFS.

### GCFS and ACFS In-Kind Donations

The SC First Steps established guidelines and reporting formats for partnerships for documenting expenses to ensure they met the 15% matching fund requirements as defined by the standard fiscal accountability system provided for in [SC Code of Laws § 59-152-150](#).

The [SC First Steps Operations Manual](#), Section 6, page 10 states, “*In-kind match contribution must be identifiable, quantifiable and measurable. For audit purposes, accounting records should demonstrate that calculations used to quantify the in-kind match are reasonable and that the contribution was necessary for the operation of the program.*”

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

The SIG determined that both partnerships during FYs 2017-18 and 2018-19 reported unallowable, in-kind contributions based on contribution commitments from SCI and a cost allocation methodology between the two

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

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

### Compensation Comparative Study

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

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

The 2021 GCFS bylaws, Article VII (Officers), Section VII (a) (4) (Compensation), states in part, "*Officers and/or employees may be paid reasonable compensation commensurate with their duties, responsibilities and work...The Board of Directors or Committee determining compensation shall contemporaneously obtain and rely upon appropriate data as to the comparability of the compensation package...*"

During FYs 2019-20 and 2020-21, Gaskin received fringe benefits from Abbeville County School District for retirement and health care, and cash in lieu of fringe benefits from GCFS for retirement and health care. The SC First Steps local partnerships are encouraged to enter into joint agreements with local school districts to facilitate payments to partnership employees. The SC First Steps office advised that approximately one-half of the 46 local partnerships have this arrangement with their local school districts. For those partnerships that do not have this type of arrangement with a local school district the compensation is paid directly to the First Steps employees by the local partnership. These employees are ineligible for state health insurance and retirement programs.

Gaskin participated in the state health insurance and retirement programs through his dual employment arrangement with ACFS. The ACFS partnered with the Abbeville County School District to pay ACFS employees. As part of his GCFS employment, Gaskin received "cash in lieu of fringe" payments since GCFS did not have a joint agreement with the Greenwood County School District.

### Summary Findings

The SIG determined the dual employment provision allowed by SC First Steps does not prohibit a First Steps employee from receiving fringe benefits from both partnerships.

The SIG further determined that the GCFS Board did not obtain and rely upon appropriate data as to the comparability of the compensation package required by the GCFS partnership bylaws when it increased Gaskin's salary in October 2020.

The SIG determined the GCFS Board’s approval of Gaskin’s salary increase to conduct fatherhood and parenting workshops in support of the First Steps program as a GCFS employee was an appropriate use of state funds and not a conflict of interest.

### Corrective Action Plans and Competitive Grants

In 2018, the SC First Steps implemented the process for local partnerships to apply and compete for competitive and targeted grants. In April 2021, The SC First Steps Board voted to restrict non-compliant local partnerships from applying for competitive and targeted grants. In August 2021, the SC First Steps Board voted to continue this restriction for all local partnerships that have not completed their corrective action plans.

Following the [2019 Financial Audit](#), the SC First Steps office notified the GCFS and ACFS partnerships of the identified concerns and deficiencies that involved in-kind donations and conflict of interest issues. As a result, on 4/1/21 the SC First Steps notified GCFS and ACFS representatives that both partnerships were required to submit corrective action plans to address and correct the identified deficiencies.

On 5/27/21, the SC First Steps received a [corrective action plan from ACFS](#) that addressed and provided corrective plans for all eight items of concern. The SC First Steps determined that the partnership’s intended actions to correct the items of concern by 6/30/22 would bring ACFS into compliance. On 6/15/21, the SC First Steps received a [corrective action plan from GCFS](#), which addressed and provided corrective plans for all eight items of concern. The SC First Steps determined that the partnership’s intended actions to correct the items of concern by 6/30/22 would bring GCFS into compliance.

The SIG noted that the proposed timelines in the corrective action plans submitted by both GCFS and ACFS, rather than a determination by the SC First Steps, prohibited each partnership from applying and competing for supplemental funding for FY 2022.

### Other Concerns

During this review, the SIG was informed of a telephone call made on 4/7/20 by an auditor with Scott and Company to Pruitt that she perceived as biased toward Gaskin. According to Pruitt, the auditor told her the reason the audit was not completed on time was an SC First Steps administrator did not like Michael Gaskin, and “would do whatever it takes to get him.”

Pruitt wrote a brief, non-sworn [Memorandum of Record](#) regarding the comments made by the auditor, which she had notarized on 9/10/20. Pruitt discussed the telephone call and comments made by the auditor during the ACFS Board meeting held on 9/24/20. On 7/12/21, Pruitt again discussed the telephone call and comments by the auditor with legislators during a public forum.

The auditor advised that the SC First Steps administrator had concerns about how some transactions were being recorded by ACFS and GCFS and how they could be potentially inconsistent with the grant agreement. The SC First Steps administrator conducted pre-audit meetings each year with the auditors and routinely asked them to take a closer look at issues or problems at some of the partnerships.

Based upon the audit referrals involving other partnerships, as well as the GCFS and ACFS audit findings over several years, the SIG determined the allegation of bias on the part of the SC First Steps administrator was unfounded.

## Way Forward

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

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

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

Gaskin entered into a dual employment agreement with ACFS in 2008 to serve as the fatherhood administrator to deliver fatherhood and parenting workshops. This was an allowable practice and encouraged by the SC First Steps office. The GCFS Board annually voted on and approved Gaskin's dual partnership employment, as required in the SC First Steps grant agreement. The ACFS Board was inconsistent, only voting and approving his dual partnership employment three times.

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

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

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

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

Communication and documentation are key to resolving these issues. The lack of proper documentation by the Boards, inaccurate time sheets, and failure to adhere to the provisions of the partnerships' grant agreements and bylaws only exacerbated the scrutiny of the partnerships and their relationship with SCI. This problem requires a focused effort on part of the local partnerships and the SC First Steps office to resolve to the benefit of those most affected by these shortfalls – the children (future students) of Greenwood and Abbeville counties.

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

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Administrative Note:     [Greenwood County First Steps Response](#)

## **II. Background**

### **A. Predicate**

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

### **B. Scope and Objectives**

The scope and objectives were to:

- Determine whether conflicts of interest existed between and within Greenwood County and Abbeville County First Steps partnerships and a third organization, the Social Change Initiative;
- Determine whether the executive director of the Greenwood County First Steps (GCFS) violated the dual employment provision of SC First Steps with Abbeville County First Steps (ACFS);
- Determine whether matching funds documentation provided by the GCFS and ACFS partnerships complied with the [SC Code of Laws Title 59, Chapter 152](#); and
- Determine whether the audits and SIG referral regarding GCFS and ACFS were motivated by bias on the part of an SC First Steps administrator.

### **C. Methodology**

The methodology utilized in this review encompassed interviews of SC First Steps staff, GCFS and ACFS leaders and board chairs, the external auditors for the partnerships, and review of correspondence from the regional finance manager, Manley Garvin. The SIG reviewed relevant state and federal statutes, regulations, and available partnership records, to include financial agreements, policies and procedures, bylaws, Board meeting minutes, and external audit reports.

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.

### **D. The South Carolina First Steps to School Readiness**

The SC First Steps is a state entity and a non-profit organization that provides services and prepares children for school from the prenatal stage to entry into five-year-old kindergarten. Established by Act 99 in 1999 ([SC Code of Laws Title 59, Chapter 152](#)) to close the gap on students’ preparedness for success in school, the SC First Steps office acts as the primary funding entity for the 46 local partnerships and distributes funding to the partnerships via a funding formula approved by the SC First Steps Board. The SC First Steps also provides support, including training and technical assistance, as well as monitoring the local partnerships.

The stated mission of SC First Steps is to “work collaboratively to ensure that all children start school ready to reach their highest potential with engaged support from their parents, caregivers, and communities,” as outlined in its [2020-2025 Strategic Plan](#).

The SC First Steps responsibilities outlined in [SC Code of Laws, §§ 59-152-50, 59-152-60 and 59-152-150](#) include:

- Review the local partnerships' plans and budgets in order to provide technical assistance and recommendations regarding local grant proposals and improvement in meeting statewide and local goals;
- Provide technical assistance, consultation, and support to local partnerships to facilitate their success; including, but not limited to, model programs, strategic planning, leadership development, best practices, successful strategies, collaboration, financing, and evaluation;
- Evaluate each program funded by the SC First Steps Board on a regular cycle to determine its effectiveness and whether it should continue to receive funding;
- Recommend to the Board the applicants meeting the criteria for First Steps partnerships and the grants to be awarded;
- Establish bylaws for use by each local partnership Board;
- Contract with an independent cost accountant to provide recommendations as to an adequate overhead cost rate for individual partnerships (partnerships operations may not exceed eight percent of the total state funds appropriated for partnership grants);
- Adopt and implement a standard fiscal accountability system for all counties that includes a uniform, standardized system of accounting and internal controls; and
- Establish guidelines to ensure that counties meet their fifteen percent matching requirement.

The SC First Steps does not require the partnerships to carry out their own accounting functions. The SC First Steps solicited a five-year term contract (7/1/2017 - 6/30/2022) and procured [Manley Garvin, LLC](#), an accounting, tax, and consulting firm based in Greenwood, South Carolina to provide the accounting services for the local partnerships. As the regional finance manager (RFM), Manley Garvin provides accounting services to all SC First Steps local partnerships. These services included:

- Processing accounts payable;
- Tracking revenue;
- Maintaining the general ledger;
- Development of financial reports;
- General accounting/bookkeeping;
- Completion of all federal, state and local tax forms;
- Primary point-of-contact for all financial audits; and
- Management of the partnership bank accounts and balances (*Only the RFM has access to the bank accounts and authorization to sign checks*).

The SC First Steps local partnership Boards are clients of the RFM, and the RFM reports the results of fiscal management activity to both the client Boards and to SC First Steps. The RFM is responsible for ensuring that SC First Steps is aware of any financial issues identified through reviews of standardized reports, invoices, partnership Board minutes, or meetings with Board representatives from local partnerships.

#### **E. Greenwood County and Abbeville County First Steps Partnerships**

The GCFS and ACFS are local non-profit organizations that use state, federal, and private funds to support programs to improve school readiness outcomes for children. As with each local partnership, GCFS and ACFS operated as independent non-profits, each with a local Board and staff. Per statute, each county in South Carolina must be represented by a First Steps local partnership Board.

Michael K. Gaskin became the GCFS executive director in 2001. Gaskin entered into a dual employment relationship with the ACFS in 2008 to conduct fatherhood and parenting workshops.

Angela Pruitt became the ACFS executive director in 2001. Pruitt served as a program director for the Social Change Initiative from 2012 – 2014, and as the SCI chief financial officer (CFO) from 2016 – 2019 according to the Social Change Initiative’s most current Internal Revenue Service (IRS) Form 990.

In 2011, GCFS and ACFS co-located their offices at one facility in Greenwood County. Pruitt stated that the partnerships shared office space because ACFS could not afford to pay rent and utilities as a stand-alone entity.

#### **F. Social Change Initiative**

The [Social Change Initiative](#) (SCI) is a 501(c)(3) charitable organization founded by Michael Gaskin in Greenwood, SC in December 2011. Gaskin has been the chief executive officer (CEO) since its inception. The organization’s mission is “to provide high-quality services strengthening and revitalizing communities by equipping families with the skills and knowledge to promote long-term behavior changes to prevent child abuse and neglect.” The organization’s vision is “to unify communities by improving and revitalizing social, educational, and economic conditions within the communities.” The organization is governed by a board of directors consisting of representatives from the business, faith, governmental, nonprofit, community-based, and education sectors of the Upper Savannah region of South Carolina.

### **III. Conflict of Interest**

During the fiscal year (FY) [2019 annual financial audit](#) conducted by Scott and Company, the CPA firm that conducted annual financial audits of all 46 partnerships, the auditor identified deficiencies in internal control and noted appearances of conflict of interest issues between both GCFS and ACFS, and with SCI. Specifically, Gaskin served concurrently as the GCFS executive director and SCI CEO, while Pruitt served as the ACFS executive director and SCI CFO. Additionally, the auditor questioned the “reasonableness” of in-kind contributions claimed by GCFS totaling \$160,000 and ACFS totaling \$150,000 from SCI that exceeded SCI’s total expenses reported on SCI’s IRS Form 990 for 2019. These conflict of interest and in-kind contribution issues were reported in the FY 2019 financial audits in both First Steps partnerships.

#### **A. SC First Steps Grant Agreement**

The SC First Steps partnership grant agreement and partnership bylaws specifically prohibit conflicts of interest among its 46 local partnerships.

Beginning in 2001, the SC First Steps entered into an initial grant agreement with all 46 local partnerships. The grant agreement specifically outlined the duties and responsibilities of each local partnership. The grant agreement was renewed and signed annually by the director of SC First Steps and the Board chair for each local partnership.

The [FY 2012 Grant Agreement](#), Section 21 (“Conflict of Interest”), (B), states:

*No officer, employee or agent of the County Partnership shall participate in the selection, award, or administration of a purchase or agreement with a vendor where, to his knowledge, any of the following has a financial interest in the other party to that purchase or agreement:*

- 1. The officer, employee, or agent;*
- 2. Any member of their immediate family;*
- 3. Their partner;*
- 4. An organization in which any of the above is an officer, director or employee;*
- 5. A person or organization with whom any of the above individuals is negotiating or has any arrangement concerning prospective employment. (See [Appendix A](#))*

Furthermore, the conflict of interest subject reflected in the [FY 2021 Grant Agreement](#), Section 11, (“Responsibilities of the Partnership”), (AA), states in part:

*Ensuring that Partnership employees cannot contract with the partnership, or its contractors, vendors, or agents, to perform services outside of their employment with the Partnership. An individual cannot perform duties or provide services both as an **employee and as a contractor or vendor of the Partnership.** [SIG emphasis] (See [Appendix B](#))*

## **B. SC First Steps Partnership Bylaws**

On 9/24/1999, the GCFS and ACFS partnership bylaws were adopted and signed by the Board chair for each partnership. Article VI, (Board of Directors), Section VI (j) (Conflicts of Interest), specifically addresses conflict of interest, and states in part:

*Directors must strive to achieve the greatest objectivity and impartiality possible in the execution of their duties. A director has a conflict of interest when such Director, directly or indirectly, is financially interested in planning, applying for or executing direct service provision, engaging personnel, grant applications, or any other activity involving planning for expenditure of funds or expending funds. Even **the appearance of a conflict of interest is to be avoided.** [SIG emphasis] As a general rule, any time a Director is not, or does not appear to be, for any reason, impartial, the Director has a conflict of interest. (See [Appendix C](#) and [Appendix D](#))*

## **C. Interviews of GCFS and ACFS Executive Directors and Board Chairs**

### **Michael Gaskin – GCFS Executive Director**

Gaskin advised the SIG he did not consider his position as the GCFS executive director and SCI CEO to be a conflict of interest. When asked by the SIG if he reviewed the bylaws and grant agreement, specifically the conflict of interest sections, Gaskin stated he did not see the relationship between GCFS and SCI as a conflict of interest.

Gaskin stated he spoke in 2012 with the then-director of SC First Steps, Susan DeVenny, about providing additional services to children aged six and older, but DeVenny told him SC First Steps was not interested. Gaskin said he formed SCI as a non-profit organization as a way to further assist families in the community. Gaskin stated, “We figured doing it together (GCFS and SCI) would make sense.” Gaskin stated the SC First Steps “gave me their blessing,” to work with SCI.

Gaskin acknowledged that GCFS signed a Memorandum of Agreement (MOA) with SCI in FY 2019 and FY 2020 for rent, utilities and maintenance costs. The MOAs were approved and signed by the SCI Board chair, who was also the GCFS Board member. In addition, the same SCI Board chair approved and signed the MOAs between SCI and ACFS for the same services.

The SIG did not identify any SC First Steps document that supported Gaskin’s claim the SC First Steps approved the expansion of GCFS’ program beyond the mission and goals of the First Steps initiative set forth in [SC Code of Laws, §59-152-10 et seq.](#)

### **Angela Pruitt – ACFS Executive Director**

Pruitt stated to the SIG that she did not consider her position as ACFS executive director and SCI CFO to be a conflict of interest. Pruitt stated she never handled any money, although she was listed on IRS Form 990 as the CFO so grants could be secured. Pruitt indicated Gaskin asked her to serve in the CFO position when SCI was created. Pruitt commented, “On paper it may look like a conflict of interest, but I didn’t consider it to be a conflict of interest.” Pruitt stated she did not have any job functions for SCI.

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

#### Lillian Thomas – GCFS Board Chair

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

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

Thomas was asked if she was aware three GCFS Board members were also on the SCI Board, and they have motioned and voted on issues for GCFS that affected SCI employees. Thomas stated she was not aware that one of the GCFS Board members was an SCI Board member, but she confirmed she and another GCFS Board member had been “on and off” the SCI Board during the past eleven years. Thomas agreed that it is a conflict of interest to be a member of the GCFS Board while serving concurrently on the SCI Board.

#### Charles Costner – ACFS Board Chair

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

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

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

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

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

The SIG determined three GCFS Board members and one ACFS Board member previously served concurrently as SCI Board members and failed to comply with the SC First Steps partnership bylaws regarding conflicts of interest.

The following chart identifies the years the GCFS and ACFS Board members served concurrently on the GCFS, ACFS and SCI Boards:

Board Members	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Cynthia Aaron</b>									
SCI Board	X	X	X	X	X	X	X	X	X
GCFS Board	X	X	X				X	X	X
<b>Reginald White</b>									
SCI Board				X	X	X	X	X	X
GCFS Board			X	X	X	X	X	X	X
<b>Kayla Starnes</b>									
SCI Board					X	X	X	X	
GCFS Board					X	X	X	X	X
<b>Joe Bryson</b>									
SCI Board	X	X	X	X	X	X	X	X	X
ACFS Board	X	X	X	X	X		X	X	X

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

#### **D. Summary Analysis**

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

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

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

The SIG review identified three GCFS Board members and one ACFS Board member have been, or are currently SCI Board members. The SIG determined that all have motioned and voted on issues as members of their partnerships boards that affect SCI and employees of both organizations, which did not comply with the SC First Steps grant agreement and partnership bylaws pertaining to conflicts of interest as previously set forth.

The SIG determined from a review of SCI’s IRS Form 990 for the four-year period of 2012 – 2015 that Gaskin received \$213,328 and Pruitt received \$127,686 in compensation from SCI.

#### **IV. Dual Partnership Employment**

The SIG confirmed with the SC First Steps office that local partnership grant agreements allow an employee of one local partnership to be employed by or enter into a contractual relationship with another local partnership. Section 36 (“Dual Partnership Employment”) of the 2021 grant agreement sets forth the requirements and the approval process for an employee seeking employment with a second local partnership as set forth below:

1. *Employees shall submit written requests for dual employment to their Supervisor, indicating the name of the proposed employing, or contracting Local*

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

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

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

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

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

**B. Inaccurate Timesheets**

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

In June 2021, Gaskin received \$5,750 [a \$3,450 (150%) salary increase from \$2,300] by ACFS. Pruitt stated that during the pandemic, Gaskin did not take his salary for several months from ACFS so Pruitt was able to pay other employee salaries and monthly expenses. Pruitt commented, "He has given a lot back every year. He just likes what he does."

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

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

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

### **C. Summary Analysis**

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

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

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

The SIG determined Pruitt did not request time sheets from Gaskin required in the grant agreement, and created time sheets when SC First Steps asked for proof and documentation of hours worked by Gaskin for his dual employment. The direct dual employment income paid to Gaskin for both FY 2019-20 and FY 2020-21 was more than \$30,000, along with additional costs of retirement, insurance, and other fringe benefits. The existing documentation did not support this level of work for ACFS.

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

### **A. Annual Match Requirements**

State-appropriated grants are awarded annually to the 46 local partnerships based on a formula of each county's demographics, which is approved by the SC First Steps Board. Local First Steps partnerships are encouraged to seek additional private donations, in-kind donations, and to apply for federal grants. These three sources of funds are used to meet the 15% minimum match requirement set forth in the [SC Code of Laws § 59-152-130\(A\)](#). The SC First Steps Board may decrease this percentage requirement based on the partnership's capacity to provide that match.

Matching funds are defined as any funding source other than state appropriations. Private donations, in-kind donations, or federal dollars count towards a partnership's 15% match requirement. Only in-kind donations, as defined by the standard fiscal accountability system provided for in [SC Code of Laws § 59-152-150](#) that meet

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

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

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

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

## **B. GCFS and ACFS Funding Sources**

Each First Steps partnership may apply for, receive, and expend federal, state, and local funds, grants, and other funding in order to improve programs as provided in the [SC Code of Laws § 59-152-25 \(A\)](#). The SC First Steps holds local county partnerships accountable for the approved use of funds allocated to them or raised by the partnership in the agency’s name, and reserves the right to freeze any appropriated funds when management or fiscal concerns are serious in nature, in the sole opinion of the SC First Steps Board of Trustees. [SC Code of Laws § 59-152-130 \(B\)](#) requires that an annual report be completed by the SC First Steps, which documents the value of the match amounts for audit purposes.

As a condition of receiving state funds, each local partnership is subject to performance reviews by the SC First Steps office of local board functioning and collaboration, as well as compliance with state standards and fiscal accountability. If any significant operational deficiency or misconduct is identified within the partnership, the SC First Steps Board must identify a remedy with input from the local legislative delegation. The following table details the funding sources of GCFS and ACFS reported by the partnerships for the past three years.

<b>Greenwood and Abbeville First Steps Funding Sources</b>					
<b>Greenwood</b>	<b>State*</b>	<b>Federal</b>	<b>Private</b>	<b>In-Kind</b>	<b>Total</b>
FY2019-20	\$221,360	\$0	\$7,125	\$21,888	\$250,373
FY2018-19	\$220,044	\$6,181	\$30,388	\$296,291	\$552,904
FY2017-18	\$219,496	\$0	\$5,514	\$189,807	\$414,817
<b>Abbeville</b>	<b>State*</b>	<b>Federal</b>	<b>Private</b>	<b>In-Kind</b>	<b>Total</b>
FY2019-20	\$200,000	\$0	\$17,356	\$19,918	\$237,274
FY2018-19	\$200,000	\$16,360	\$8,900	\$192,146	\$417,406
FY2017-18	\$200,000	\$0	\$15,407	\$71,754	\$287,161

\*The Education Improvement Act (EIA) funding allocation to school districts.

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

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

The SIG determined that both partnerships reported unallowable, in-kind resources in FYs 2017-18 and 2018-19 based on contribution commitments from SCI and a cost allocation methodology between the two partnerships for internal administrative costs and employees’ time and salaries using state funds that were not allowed by statute. Neither time nor cost for any staff members for either GCFS or ACFS time were allowable as a match for any partnership, per the SC First Steps Program Accountability Standards referenced in the [SC Code of Laws § 59-152-150](#). The SCI contribution commitments were not allowable because in-kind contributions must be received and properly documented (e.g., invoices, receipts, rates, how costs were calculated) in order to count towards a partnership’s 15% match requirement.

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

<b>Greenwood</b>	<b>Expenditures</b>	<b>Match</b>	<b>Match %</b>
FY2019-20	\$223,195	\$41,500	19%
FY2018-19	\$223,717	\$308,122	138%
FY2017-18	\$226,452	\$195,431	86%

<b>Abbeville</b>	<b>Expenditures</b>	<b>Match</b>	<b>Match %</b>
FY2019-20	\$195,539	\$38,854	20%
FY2018-19	\$202,874	\$207,825	102%
FY2017-18	\$206,023	\$85,767	42%

## **VI. Compensation Comparative Study**

### **A. Gaskin Compensation**

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

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

As noted in the 2021 GCFS bylaws, Article VII (Officers), Section VII (a) (4) (Compensation):

*Officers and/or employees may be paid reasonable compensation commensurate with their duties, responsibilities and work, which compensation shall be determined by the Board of Directors or duly authorized Committee thereof as follows: (i) The Board of Directors or Committee determining compensation shall be composed of persons who are unrelated to and not subject to the control of the person whose compensation is being determined; (ii) The Board of Directors or Committee determining compensation shall contemporaneously obtain and rely upon appropriate data as to the comparability of the compensation package; and (iii) There shall be adequate contemporary documentation for the basis of the Board's or Committee's determination.*

The GCFS chair confirmed to the SIG the GCFS Board voted to increase Gaskin’s salary, but could not recall the details of that decision. The GCFS chair was of the belief a compensation comparative had been completed; however, the SIG was not provided documentation that indicated the GCFS conducted a comparative compensation study.

**B. Cash In Lieu of Fringe Benefits**

During FYs 2019-20 and 2020-21, Gaskin received fringe benefits from Abbeville County School District for retirement and health care, and cash in lieu of fringe benefits from GCFS for retirement and health care. The SC First Steps local partnerships are encouraged to enter into joint agreements with local school districts to facilitate payments to partnership employees. By doing so, the First Steps employees can receive fringe benefits, to include state health insurance and retirement program. All funds paid to First Steps employees in these joint arrangements are paid by the local partnership to the school district for payment to the First Steps employees.

The SC First Steps state office advised the SIG approximately one-half of the 46 local partnerships have this arrangement with their local school districts. For those partnerships that do not have this type of arrangement with a local school district the compensation is paid directly to the First Steps employees by the local partnership. These employees are ineligible for state health insurance and retirement programs.

Gaskin participated in the state health insurance and retirement programs through his dual employment arrangement with ACFS. The ACFS partnered with the Abbeville County School District to pay ACFS employees. As part of his GCFS employment, Gaskin received “cash in lieu of fringe” payments since GCFS did not have a joint agreement with the Greenwood County School District.

Pruitt stated that all First Steps local partnerships could offer fringe benefits to their employees, so Gaskin was also eligible to receive benefits from GCFS. The SIG confirmed this with the SC First Steps state office. The GCFS chair confirmed with the SIG that the Board would have to approve the decision to provide cash in lieu of fringe benefits for Gaskin. The GCFS Board approved Gaskin’s salary increase at the [10/5/20 GCFS Board meeting](#). The following chart summarizes the annual salary and fringe benefits received by Gaskins during both FYs 2019-20 and 2020-21:

Fiscal Year	GCFS Salary	Cash in Lieu of Fringe	Subtotal	ACFS Salary	Benefits/ Fringe	Subtotal	Total
FY2019-20	\$67,898	\$25,981	\$93,879	\$30,250	\$13,755	\$44,005	\$137,884
FY2020-21	\$74,548	\$26,464	\$101,012	\$29,850	\$14,933	\$44,783	\$145,795

### **C. Summary Analysis**

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

In contrast, local partnerships without the local school district arrangement do not afford First Steps employees the ability to participate in the state health insurance and retirement programs. It falls to the local partnership Board to provide the fringe benefits directly to the First Steps employee. Consequently, Gaskin's dual employment with GCFS and ACFS resulted in Gaskin receiving fringe benefits through both avenues.

The SIG's review of the cash in lieu of fringe topic primarily focused on the two prior FYs (2020 and 2021). The SIG expanded this review back to FY 2017 and SIG determined the GCFS Board approved the partnership's annual spending plan for each of these FYs. These approved spend plans set forth the base salaries and fringe benefits paid to Gaskin and other GCFS employees.

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

### **VII. Corrective Action Plans and Competitive Grants**

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

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

The [2019 Financial Audit](#), conducted by Scott and Company, identified concerns and issues that involved in-kind donations and conflict of interest with both GCFS and ACFS. The GCFS and ACFS partnerships were notified by SC First Steps on 10/9/20 to submit corrective action plans regarding the identified deficiencies in the audits. The SC First Steps identified an additional six items of concern for both partnerships due to not meeting requirements in the GCFS and ACFS grant agreements, GCFS and ACFS bylaws, the [SC First Steps Program Accountability Standards](#), or the [SC First Steps Operations Manual](#). As a result, on 4/1/21 the SC First Steps notified GCFS and ACFS representatives that both partnerships were required to submit corrective action plans to address and correct the identified deficiencies, pursuant to the grant agreement.

On 5/4/21, GCFS and ACFS submitted a [combined response](#) to the SC First Steps regarding the eight items of concern. The combined response addressed all eight items of concern, but disagreed with many of the identified concerns and neither partnership provided a corrective action plan to correct the deficiencies.

On 5/27/21, the SC First Steps received a [corrective action plan from ACFS](#), which addressed and provided corrective plans for all eight items of concern. The SC First Steps determined that the partnership's intended actions to correct the items of concern by 6/30/22 would bring ACFS into compliance.

On 6/15/21, the SC First Steps received a [corrective action plan from GCFS](#), which addressed and provided corrective plans for all eight items of concern. The SC First Steps determined that the partnership's intended actions to correct the items of concern by 6/30/22 would bring GCFS into compliance.

The SIG noted that the proposed timelines in the corrective action plans submitted by both GCFS and ACFS, rather than a determination by the SC First Steps, prohibited each partnership from applying and competing for supplemental funding for FY 2022.

### **VIII. Other Concerns**

During this investigation, the SIG was informed of a telephone call made on 4/7/20 by an auditor with Scott and Company to Pruitt that she perceived as biased toward Gaskin. Pruitt stated the telephone call initially pertained to issues regarding rent and utilities for ACFS. According to Pruitt, the auditor told her the reason the audit was not completed on time was an SC First Steps administrator did not like Michael Gaskin, and "would do whatever it takes to get him." Pruitt stated the conversation with the auditor ended after his comments, and she has not spoken with him further about his statement.

Pruitt wrote a brief, non-sworn [Memorandum of Record](#) regarding the comments made by the auditor, which she had notarized on 9/10/20. Pruitt discussed the telephone call and comments made by the auditor during the ACFS Board meeting held on 9/24/20. On 7/12/21, Pruitt again discussed the telephone call and comments by the auditor with legislators during a public forum.

The SIG discussed Pruitt's claim with the Scott and Company auditor. At that time, the auditor advised the SIG he called Pruitt to discuss some issues raised by the state office and "I was trying to get some answers to those questions." The auditor stated he did not recall saying the SC First Steps administrator was out to get Gaskin. The auditor stated, "*It was more like the SC First Steps administrator has some concerns, some questions, maybe some issues, and until we can resolve it and get to the bottom of the issues.*" [sic]

The auditor advised that the SC First Steps administrator had concerns about how some transactions were being recorded by GCFS and ACFS and how they may be potentially inconsistent with the grant agreement. The SC First Steps administrator conducted pre-audit meetings each year with the auditors and routinely asked them to take a closer look at issues or problems at some of the partnerships. The auditor stated, "I can assure you that Greenwood and Abbeville are not the only ones he told us about having issues." The auditor stated he never felt the SC First Steps administrator was out to get Gaskin or was specifically targeting him. Regarding his comments to Pruitt, the auditor stated, "That was not how I meant to portray it when I spoke with Ms. Pruitt, but apparently that's what she heard."

Based upon the audit referrals involving other partnerships, as well as the GCFS and ACFS audit findings over several years, the SIG determined the allegation of bias on the part of the SC First Steps Administrator was unfounded.

### **IX. Way forward**

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

- Failure to follow a policy, regulation or law;

- Poor documentation; and
- Poor communication.

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

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

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

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

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

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

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

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

## **X. Findings and Recommendations**

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

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

**Finding #1c:** Three GCFS Board members and one ACFS Board member have been or are concurrent SCI Board members. All four Board members, by motioning and voting on issues affecting employees of both organizations did not comply with the SC First Steps grant agreement and partnership bylaws as it pertained to conflicts of interest.

**Recommendations #1a-c:** The SIG recommends all GCFS and ACFS employees and Board members receive remedial conflict of interest training as well as annual refresher training regarding the grant agreement and bylaws.

**Finding #2:** GCFS and ACFS reported unallowable, in-kind resources based on contributions from SCI, as well as employees time and salaries, which did not comply with the [SC First Steps Program Accountability Standards](#) referenced in the [SC Code of Laws § 59-152-150](#).

**Recommendation #2:** The SIG recommends all GCFS and ACFS employees and Board members adhere to the [SC First Steps Program Accountability Standards](#), and the [SC First Steps Operations Manual](#).

**Finding #3:** Pruitt failed to submit time sheets for Gaskin required in the grant agreement and MOA, and by her own admission submitted inaccurate time sheets for Gaskin when the SC First Steps requested proof and documentation of the hours worked by Gaskin for his dual employment.

**Recommendation 3:** The SIG recommends ACFS employees properly complete time sheets for work performed for the partnership, and submit the time sheets timely to the RFM as required in the grant agreement.

**Finding #4:** The audits and investigative referral regarding GCFS and ACFS were not motivated by bias on the part of the SC First Steps administrator. The SC First Steps auditor conducted annual, pre-audit meetings with the external auditors and routinely requested that issues or problems identified by the SC First Steps at specific local partnerships be addressed to determine compliance with the grant agreement and bylaws.

**Finding #5:** The SIG confirmed with the SC First Steps state office that approximately one-half of the local partnerships had agreements with their local school districts to process payroll for the local First Steps staff. This arrangement afforded First Steps staff the opportunity to participate in the state health and retirement programs through PEBA. However, those local partnerships without a local school district agreement were not afforded this same opportunity for participation in the public employee benefit programs. This presents an unequal treatment of staff among First Steps partnerships.

**Recommendation #5:** The SC First Steps state office should conduct a review of the participation in public employee benefit programs by local partnerships and pursue opportunities through PEBA to extend participation in the state health and retirement programs for all First Steps staff.

## List of Appendices

- [Appendix A:](#) FY12 Grant Agreement between the South Carolina First Steps to School Readiness and Greenwood First Steps to School Readiness
- [Appendix B:](#) FY21 Grant Agreement between the South Carolina First Steps to School Readiness and Abbeville First Steps to School Readiness
- [Appendix C:](#) Bylaws of Greenwood County First Steps to School Readiness Partnership
- [Appendix D:](#) Bylaws of Abbeville County First Steps to School Readiness Partnership
- [Appendix E:](#) Diagram of the Interrelationships of Greenwood and Abbeville County First Steps and Social Change Initiative