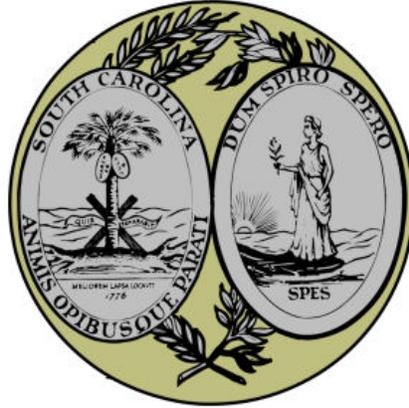


Office of the Inspector General

Brian D. Lamkin



Review of the Use of State Funds for an Equine Therapy Post-Traumatic Stress Disorder Pilot Program

I. Executive Summary

In April 2019, the SC Office of the Inspector General (SIG) initiated a review of the use of funds appropriated to Lander University (Lander) and the South Carolina Vocational Rehabilitation Department (SCVRD) for the implementation of an equine therapy pilot program for military veterans with post-traumatic stress disorder (PTSD). The SIG initiated this review based on a credible complaint that alleged Lander and SCVRD mismanaged the non-recurring funds appropriated by the General Assembly in successive fiscal years (FYs) 2018 and 2019 for the development of the pilot program. The scope and objectives were to:

- Review Lander's expenditure of \$500,000 in non-recurring funds received in FY 2018 under Proviso 117.134 for its equestrian center operations and development of an equine therapy pilot program; and
- Review SCVRD's expenditure of \$500,000 in non-recurring funds received in FY 2019 under Proviso 118.15 for the development of an equine therapy pilot program for military veterans.

Background

Lander, a four-year public university located in Greenwood, South Carolina, has a student population of more than 3,000 students. Military veterans, service members, and their family members comprise 13% of the student population. Lander supports these individuals and the community through its Military and Veterans Services (MVS) department. The Lander Equestrian Center is an established partnership between the university, the Lander Foundation, and the nonprofit Burton Center that offers programs to assist disabled and special needs individuals.

The SCVRD serves South Carolina citizens with a physical or mental impairment that substantially impedes employment. The SCVRD provides services to qualifying disabled individuals to assist its clients in obtaining and retaining employment. Client services are provided through arrangements with the federal government and other departments, agencies and institutions pursuant to the [Rehabilitation Act of 1973, 34 CFR Part 361](#).

Equine-assisted psychotherapy generally involves the use of horses, a licensed therapist, and a horse specialist in addressing behavioral issues or psychosocial disorders often related to an individual's past traumatic experience. Equine therapy is not an approved method of service provision for vocational rehabilitation clients according to the federal Rehabilitation Services Administration (RSA). Only the portion of SCVRD's state funds expended on SCVRD clients is eligible to receive matching federal funds.

The Herd 2 Human (H2H) program, operated by Willowbend Farm (Willowbend), Clinton, Montana, is an aid to equine-assisted psychotherapy programs for individuals dealing with PTSD and emotional challenges. The H2H program is offered at no cost to military veterans. The U.S. Department of Veteran Affairs approved this program for use by military veterans on 6/1/2017 through the Servicemen's Readjustment Act of 1944, also known as the GI Bill. (*See Appendix A*)

State Funding of the Lander University Equestrian Center

Beginning in FY 2015, the General Assembly appropriated \$300,000 in successive years to support the Lander Equestrian Center. Between FY 2015 and FY 2017, Lander received \$900,000 in non-recurring funds for its equestrian center operations, while expenses for the same period totaled \$1,041,812. Lander covered the additional \$141,812 in expenses through therapeutic riding fees, student riding and boarding fees, and sponsorships. (See chart below)

Lander University Equestrian Center Fiscal Years 2015-2017				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>FYs 15-17 Total</u>
Revenue				
Non-Recurring State Appropriations	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 900,000.00
Expenditures	\$ (390,104.00)	\$ (319,807.00)	\$ (331,901.00)	\$ (1,041,812.00)
Excess of Expenditures over Revenue	\$ (90,104.00)	\$ (19,807.00)	\$ (31,901.00)	\$ (141,812.00)

The concept of a state agency developing an equine therapy pilot program for South Carolina’s military veterans suffering from PTSD began in October 2016 (FY 2017) when a South Carolina veteran attended the program in Montana and brought it to the attention of a member of the state legislature. Subsequently, Lander and the Burton Center hosted a three-day showcase of the program at the Lander Equestrian Center on 3/23/2017 – 3/26/2017 with four veterans as participants. Two state employees also attended the showcase as observers at the request of the state legislator, neither of whom represented their respective agency, i.e., SCVRD and SC Department of Mental Health. Lander paid \$4,252.34 to put on the H2H showcase.

Following the March 2017 showcase, the Lander MVS director maintained periodic contact with the Willowbend owner about the promotion of the H2H program with the intent of offering the courses during the 2018 spring semester. In addition, the SCVRD employee maintained contact with Willowbend and Lander staff on ways to administer the program.

The South Carolina General Assembly subsequently appropriated \$500,000 directly from the SCVRD budget to Lander through [Proviso 117.134](#) for its equestrian center operations and the creation of an equine therapy pilot program for FY 2018. The SCVRD did not receive \$500,000 in supplemental funding to act as a pass-through to Lander. As a result, the SCVRD lost an additional \$1,500,000 in federal matching funds based on the matching formula of \$3 (federal) for every \$1 (state) transferred to Lander under the proviso.

Lander University Procurement – Equine Therapy Pilot Program

Between 7/5/2017 and 9/19/2017, Lander staff held internal discussions on the funding and procurement for the H2H pilot program identified in the proviso. After discussions with the Procurement Services Division, State Fiscal Accountability Authority (SFAA), Lander determined the request for proposal (RFP) process was the appropriate procurement process to procure and implement the equine therapy pilot program.

On 9/20/2017, Lander issued solicitation # [RFP-MM-377-10-09-2017](#) for the “Development of Equine-therapy Program for PTSD Treatment.” According to the proposal requirements, the contractor was expected to have “first-hand experience with equine therapy for PTSD treatment, preferably ‘Herd to Human’.” On the same date, the newly retired SCVRD employee received an email from Lander staff with a hyperlink to the solicitation, who in turn notified the Willowbend owner. The Willowbend owner agreed for H2H to be a subcontractor to the former SCVRD employee’s consulting business, All Ways Tranquil, LLC (All Ways Tranquil), in a joint bid proposal.

Lander received only one bid proposal for \$354,000. The respondent, All Ways Tranquil, included H2H as a subcontractor in the proposal. This proposal substantially exceeded Lander’s \$200,000 procurement certificate of authority. On 10/12/2017, the Lander procurement director cancelled the solicitation and notified All Ways Tranquil, which notified Willowbend. Lander awarded no contract and expended no funds from Proviso 117.134 during the RFP procurement process.

In December 2017, following the RFP cancellation, Lander initiated efforts to create an internal equine therapy pilot program with the proviso funds. These efforts included purchases of equipment, vehicles, renovations to the American Legion building as a permanent home to the MVS department and equine therapy program, and the posting of job openings for a program coordinator, equine coordinator, and a clinical consultant.

Lander University's Use of Proviso 117.134 Funding

On 10/3/2017, Lander received \$500,000 from SCVRD in accordance with [Proviso 117.134](#). Lander internally budgeted \$300,000 for the equestrian center, consistent with funding in prior years, and allocated \$200,000 for the equine therapy pilot program into an account titled "PTSD Pilot."

Between December 2017 and March 2018, Lander expended the following amounts from the "PTSD Pilot" account for the development of an internal equine therapy pilot program:

- 1/4/2018, a purchase order in the amount of \$1,700.34 for the PTSD consultant's travel and consulting work performed in December 2017;
- 2/15/2018, a purchase order in the amount of \$56,837 to purchase a custom-made ADA compliant bus to transport veterans between the Lander campus and the equestrian center; and
- 3/21/2018, a purchase order for \$4,489.72 to purchase a golf cart to transport military veterans between the parking lot and the entrance to the equestrian center.

By the end of March 2018, Lander had expended or obligated \$63,027.06 of its \$200,000 equine therapy pilot program budget, leaving an available balance of \$136,972.94 for the pilot program.

On 3/6/2018, as part of the FY 2019 legislative budget process, the House Ways and Means Committee introduced [Proviso 118.15](#) to provide Lander another \$500,000 for its equestrian center PTSD program. On 4/5/2018, the Senate Finance Committee amended the proviso to give Lander only \$1. On 5/3/2018, the full House of Representatives amended the proviso a second time to provide SCVRD with \$500,000 in non-recurring funds for the development of an equine therapy PTSD program and required Lander to return any unexpended funds received in prior FYs for that same purpose. The General Assembly ratified Proviso 118.15 on 6/29/2018.

Lander University's Use of Proviso 117.134 – Post 4/11/2018

Based on the revisions to Proviso 118.15, subsequent legislative actions and the uncertainty of future funding for the pilot program, the Lander MVS director suspended the job postings on 4/11/2018, effectively pausing Lander's efforts to develop an internal equine therapy pilot program. Lander executives continued legislative efforts to identify FY 2019 funding for the pilot program. (*See Appendix C*) By the close of FY 2018, Lander's financial staff executed journal entries to transfer funds from the PTSD Pilot account to cover various FY 2018 equestrian center expenses, internal program development costs, and renovations and lease payments for the American Legion building.

Equestrian Center Costs: On 6/30/2018, Lander completed a journal entry that transferred \$81,415.69 to the equestrian center account for temporary staffing services, supplies for maintenance of the horses, travel reimbursements of equestrian center staff, utilities, maintenance supplies and a cost allocation of personnel services totaling \$74,215.69. Contrary to prior years, Lander did not use therapeutic riding fees, student riding/boarding fees and sponsorships for equestrian center operations in FY 2018. Lander held these fees for potential use to offset other equestrian center expenses in FY 2019.

Included in the transfer was \$7,200 for the lease of the American Legion building, previously purchased by the Lander Foundation, as the future home of the MVS department and equine therapy program. Three purchase

orders dated 4/11/2018, covered six months of lease payments at \$1,200 per month, retroactive to January 2018 when Lander began leasing the building from the Lander Foundation. One purchase order issued for \$4,800 covered the lease period of January through April 2018 was paid on 4/20/2018. The SIG accepted the initial four months in lease payments (\$4,800) as an allowable use of proviso funds, but excluded the lease payments for May and June 2018 (\$2,400) due to Lander's suspension of its program development efforts during those months. (See Appendix B)

As a result, Lander's use of \$79,015.69 (\$74,215.69 + \$4,800) of the Proviso 117.134 funds for equestrian center operations and the lease of the American Legion building conformed to the use of Proviso 117.134 funds.

American Legion Building Costs: On 8/2/2018, Lander finance staff transferred \$54,972.13 to the American Legion account from the PTSD Pilot account to cover expenses for renovations to the building as part of its internal equine therapy program development efforts. These renovation efforts and expense obligations originated during the initial development phase of Lander's internal equine therapy program (January – April 2018). However, one payment of \$360.00 on 6/20/2018 was a prepayment of annual fire alarm monitoring in the American Legion building for FY 2019. The SIG did not accept this expense as an allowable use of Proviso 117.134 funding. As a result, the SIG determined Lander's use of \$54,612.13 in Proviso 117.134 funds for renovations to the American Legion building to house the MVS department and provide program oversight to the equine therapy pilot program conformed to the use of Proviso 117.134 funds.

Other PTSD Pilot Account Transactions – Post FY 2018: On 6/27/2018, the MVS director issued a purchase order for \$15,869.84 to purchase three laptops and six desktop computers for use by MVS staff and veterans for the program, followed by a second purchase order on 6/28/2018 to purchase software for \$7,770.66. These transactions did not post to the account until 7/23/2018 and 8/16/2018, respectively, and resulted in a negative balance in the PTSD Pilot account. During the course of this SIG review, Lander staff corrected the charge to the PTSD Pilot account on 7/23/2019, to reflect a zero (\$0) balance in the PTSD Pilot account.

On 8/27/2018, Lander transferred \$585.12 to SCVRD as the unexpended funds from Proviso 117.134 in accordance with Proviso 118.15.

SIG Summary Analysis – Lander

The SIG determined Lander's expenditure of \$496,654.88 in Proviso 117.134 funds for equestrian center operations (\$374,215.69), development of an internal equine therapy pilot program (\$63,027.06), and renovations/lease payments to the American Legion building (\$59,612.13) as an allowable use of these funds.

\$300,000.00 – Equestrian Center Operations (budgeted)
\$ 74,215.69 – Equestrian Center (additional expenses)
\$ 63,027.06 – Equine Therapy Pilot Program Development
\$ 54,612.13 – American Legion Repairs and Preparations for Pilot Program
\$ 4,800.00 – American Legion Lease Payments (January – April)
\$496,654.88 – Allowable Use of Funds

However, Lander's use of \$2,760.00 did not comply with the provisions set forth in the proviso. As a result, Lander should have transferred \$3,345.12 to SCVRD in unexpended funds in accordance with [Proviso 118.15](#) instead of the \$585.12 transferred to SCVRD on 8/27/2018.

FY 2019 State Funding – Equine Therapy Pilot Program

On 3/6/2018, the House Ways and Means Committee introduced Proviso 118.15 to provide an additional \$500,000 to Lander for an "equine therapy pilot program" for FY 2019. On 3/7/2018, the former SCVRD employee introduced the Willowbend owner and the H2H program to a select group of the SCVRD Board chair

and executive staff. As of 3/7/2018, SCVRD had not appeared in any proposed FY 2019 legislation or proviso for an equine therapy pilot program.

On 4/26/2018, SCVRD executive staff became aware of a proposed amendment to Proviso 118.15 to provide \$500,000 to SCVRD to initiate an equine therapy pilot program. On 5/3/2018, Proviso 118.15 was amended with this very language. The General Assembly ratified [Proviso 118.15](#) on 6/29/2018, which appropriated \$500,000 to SCVRD to conduct an equine therapy pilot program. The proviso further instructed SCVRD it could utilize existing contract proposals and instructed Lander to return any unexpended funds it received in previous fiscal years for the same purpose.

SCVRD Procurement – Equine Therapy Pilot Program

On 8/13/2018, SCVRD issued RFP solicitation #5400016131 to procure an equine therapy pilot program with Proviso 118.15 funding. The SCVRD emailed a bid invitation to 13 entities, including Willowbend. The solicitation sought to develop Phase I of an equine therapy pilot program focused on addressing PTSD in military veterans. The RFP solicitation closed on 9/4/2018 with only one bid proposal received, i.e., Willowbend. All Ways Tranquil was identified as the subcontractor for counseling, assessment and marketing services.

Through interviews and a review of the SCVRD procurement file, the SIG determined the former SCVRD employee authored the bid proposal and the Willowbend owner submitted the bid proposal on 8/31/2018 for \$250,000 – the same as SCVRD’s maximum certification level of procurement certificate of authority.

On 9/19/2018, the SCVRD evaluation panel reviewed the single proposal received. The SCVRD procurement officer determined Willowbend to be a responsive and responsible offeror and initiated negotiations with the Willowbend owner. The SCVRD procurement officer and the Willowbend owner signed the *Record of Negotiations* on 11/14/2018 listing the following specifications:

- Willowbend was required to submit itemized invoices when requesting payment to substantiate all program expenditures;
- SCVRD would not pay stipends in addition to the agreed-upon \$250,000;
- The contract was contingent upon a signed agreement with Clemson University’s T. Ed Garrison Arena; and
- Willowbend was to send an itemized invoice for the start-up costs of \$25,000 at the implementation of the contract.

The SCVRD agreed to advance \$25,000 to Willowbend for start-up costs and provide an additional \$108,000 for the provision of services with the submission of proper receipts and invoices to validate program expenses.

The Intent to Award was posted on 11/19/2018, and was contingent upon Willowbend obtaining a signed contract with Clemson University’s T. Ed Garrison Arena for use of its facility. The Willowbend owner signed a contract with Clemson University on 11/21/2018 for the use of its facility for the “Herd 2 Human 3 Day Program” to take place at the cattle complex housing facility on dates to be determined in January 2019. On 12/28/2018, Willowbend entered into a Professional Services Agreement with All Ways Tranquil to provide the PTSD clinical program and participant assessments.

The Willowbend owner held two three-day H2H classes in January 2019 (1/22-24/2019 and 1/25-27/2019). Twelve military veterans participated between the two classes (six per class). However, based on a final report issued by the subcontractor, All Ways Tranquil, only ten participants completed the course and only nine of those completed the follow-up assessments.

SCVRD Invoices and Payments with Proviso 118.15 Funding

The SCVRD received the following four invoices from Willowbend for payment beginning in November 2018 through March 2019:

- **Invoice #1**, dated 11/21/2018, for \$25,000 for start-up costs as agreed upon during the contract negotiations. On 12/14/2018, SCVRD paid \$25,000 to Willowbend.
- **Invoice #2**, dated 1/14/2019, in the amount of \$24,400 included supporting documentation from All Ways Tranquil for \$5,250 for 20 hours of pre-program meetings and 15 hours of research and development (R&D) for the period of 12/10/2018 – 12/28/2018. The \$19,150 balance was for participant and staff accommodations, transportation, marketing, program development, and recruitment. The SCVRD did not pay on this invoice.
- **Invoice #3**, dated 2/4/2019, for \$53,200 for two three-day H2H programs conducted from 1/22/2019 - 1/27/2019, interim counselor fees for 223 hours of meetings, research, and reporting, and the unpaid \$5,250 from invoice #2. The SCVRD delayed payment on this invoice until 4/10/2019, when it received the requested documentation from Willowbend to substantiate the invoiced expenses.
- **Invoice #4**, dated 3/6/2019, for \$225,000 for the balance of the contract with SCVRD. This amount included the \$53,200 from the unpaid invoice #3 and two additional invoices from All Ways Tranquil for R&D, 89 hours of follow-up assessments, and \$30,000 for the intellectual design of an H2H clinical program. The SCVRD did not pay on this invoice.

The SCVRD did not provide payment on the Willowbend invoices due to its failure to provide documentation to substantiate the invoiced amounts. Under governmental accounting principles and the terms of the contract, SCVRD could not provide payment to a contractor without proper documentation to substantiate the expenses in an invoice for services rendered.

In a letter to the Willowbend owner, dated 3/15/2019, SCVRD described seven deficiencies it found in Willowbend's contract performance. The Willowbend owner denied any deficiency in the contracted work in an email response on 3/21/2019 and more formally on 3/22/2019. On 4/1/2019, the SCVRD procurement official terminated the contract with Willowbend "for cause." On 4/3/2019, the Willowbend owner requested a resolution of the controversy between Willowbend and SCVRD to the SC Chief Procurement Officer (CPO), SFAA, in accordance with [SC Consolidated Procurement Code Section 11-35-4230](#).

On 4/10/2019, SCVRD remitted to Willowbend a payment of \$40,000 for Invoice #3. The payment covered counselor fees (\$33,450), accommodations for students and staff (\$4,750), and facility costs (\$1,800). The SCVRD paid the counselor fees (\$33,450) based on the All Ways Tranquil itemized invoices. The SIG determined All Ways Tranquil received only \$5,250 of the \$33,450 payment from Willowbend.

Through interviews with SCVRD officials and the Willowbend owner, the SIG determined the Willowbend owner did not provide receipts for the remaining costs and program expenses for confidentiality purposes in order to protect the H2H program's intellectual design of the H2H program.

SIG Summary Analysis – SCVRD

Pursuant to Proviso 118.15 directions, SCVRD received the following funds for the creation of an equine therapy pilot program:

- \$585.12 – Lander transfer of unexpended equine therapy funds on 8/27/2018; and
- \$500,000 – Non-recurring state funds available for use by SCVRD on 9/6/2018.

As a result, SCVRD began with a balance of \$500,585.12 for its equine therapy pilot program.

For FY 2019, SCVRD paid \$65,000 to Willowbend under the contract and attributed \$18,985.80 in administrative costs to the equine therapy program. In FY 2020, SCVRD continued to incur \$1,565.44 in administrative costs for this program due to the contract dispute and protest to the CPO. In total, SCVRD expended \$85,551.24 from Proviso 118.15 funding.¹

The SIG determined SCVRD's expenditure of \$85,551.24 in Proviso 118.15 funds complied with the provisions set forth in Proviso 118.15. Based on these expenditures SCVRD has an unexpended balance of \$415,033.88 in Proviso 118.15 funding.

\$500,585.12 – Beginning balance of Proviso 118.15 Funds
(\$ 85,551.24) – Total Allowable Use of Funds
\$415,033.88 – Unexpended Funds

Except for administrative costs incurred during the CPO review, the SCVRD suspended the use of Proviso 118.15 funds for the equine therapy pilot program.

Observation and Conclusion

The use of a competitive procurement process to create and fund an equine therapy pilot program was the correct approach for Lander and SCVRD. Per the Consolidated Procurement Code and the Procurement Services Division, SFAA provide the requisite guidance and oversight to state agencies and procurement officials to effectively and efficiently administer contracts with vendors and disburse state funds in these matters.

Lander's use of \$496,654.88 for its equestrian center and development of an internal equine therapy pilot program complied with Proviso 117.134. Between 5/3/2018 and 6/30/2018, Lander continued its efforts to secure future funding in the FY 2019 budget to reignite development of an internal equine therapy program.

However, the use of \$2,760.00 in Proviso 117.134 funds for other university purposes after it suspended these development efforts fell outside of the intended use presented in the proviso. To utilize these funds outside of the proviso's purpose required a request to the state legislature to repurpose the funds. Lander did not make a request to the state legislature to repurpose the funds. Consequently, Lander should have transferred \$3,345.12 to SCVRD pursuant to Proviso 118.15, instead of the \$585.12 it transferred on 8/27/2018.

The SCVRD's use of \$85,551.24 complied with the provisions set forth in Proviso 118.15. As of 9/16/2019, the state has \$415,033.88 available to continue its efforts toward building an equine therapy PTSD program for South Carolinians suffering from PTSD. The scope of this review did not consider SCVRD's termination of the contract with Willowbend "for cause" as the protest is under review by the CPO, which will determine the outcome of the protest.

A total of \$1 million was appropriated by the General Assembly in FYs 2018 and 2019 to provide funding for Lander's equestrian center operations and the creation of an equine therapy pilot program by both agencies for military veterans suffering from PTSD. The possibility of expanding this program to other state mental health agencies to treat South Carolinians suffering from PTSD remains a worthy endeavor.

However, it is the SIG's recommendation that a cost benefit analysis be conducted to determine the advantages and disadvantages in creating a state-run equine therapy program versus utilizing existing non-profit and private programs in the state through state mental health agencies prior to reinitiating an equine therapy pilot program to ensure the appropriate use of state resources.

¹ This amount is as of 9/16/2019. These costs will continue to grow as the agency incurs additional administrative costs while the contract dispute and protest is under review by the CPO.

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(Appendices located at Internet link: [Appendices A - C](#))

Administrative: see the following link to [Lander’s Internal Control Audit and Response](#)

II. Background

A. Predicate

In April 2019, the South Carolina Office of the Inspector General (SIG) initiated a review of the use of funds appropriated to Lander University (Lander) and the South Carolina Vocational Rehabilitation Department (SCVRD) for the implementation of an equine therapy pilot program for military veterans with post-traumatic stress disorder (PTSD). The SIG initiated this review based on a credible complaint that alleged Lander and SCVRD mismanaged the non-recurring funds appropriated by the General Assembly in successive fiscal years (FYs) 2018 and 2019 for the development of the pilot program.

B. Scope and Objectives

In FY 2018, the General Assembly issued [Proviso 117.134](#) that instructed the SCVRD to transfer \$500,000 to Lander for its equestrian center operations and the creation of a Herd 2 Human (H2H) pilot program. Lander failed to implement the H2H pilot program following a cancelled procurement and attempts to implement the program as an internal university program.

In FY 2019, the General Assembly issued [Proviso 118.15](#) that appropriated \$500,000 to SCVRD for the development of an equine therapy pilot program. The proviso further instructed Lander to return any unexpended funds previously received for this purpose under [Proviso 117.134](#). SCVRD received \$585.12 from Lander as the unexpended balance from the \$200,000 budgeted by Lander for the pilot program.

The scope and objectives were to:

- Review Lander's expenditure of \$500,000 in non-recurring funds received in FY 2018 under Proviso 117.134 for its equestrian center operations and an equine therapy pilot program; and
- Review SCVRD's expenditure of \$500,000 in non-recurring funds received in FY 2019 under Proviso 118.15 for the development of an equine therapy pilot program for military veterans.

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."

C. Lander University

Lander is a four-year, public university located in Greenwood, SC. It has a student population of more than 3,000 students and more than 60 undergraduate, graduate, certificate, and pre-professional programs. In 2019, the *U.S. News & World Report* listing of Best Colleges in the South Region ranked Lander #21 and the #8 college for military veterans. Military veterans, service members, and their family members make up 13% of Lander's student population. Lander has a Military Veterans Services (MVS) department whose mission is to aid these particular members of the community with educational resources offered by the university.

Another component of Lander is its equestrian center, which is an established partnership between the university, the Lander Foundation and the Burton Center, a nonprofit organization that offers programs to assist disabled and special needs individuals within the community. The Lander Equestrian Center offers a minor degree program and equestrian club opportunities. Funding for its operations is received through state appropriations, therapeutic riding fees, student riding/boarding fees, and sponsorships.

D. South Carolina Vocational Rehabilitation Department

The SCVRD serves citizens with a physical or mental impairment that substantially impedes employment. The [SC Code of Laws, Title 43, Chapter 31](#), requires SCVRD to provide services to qualifying disabled individuals

throughout the State. The SCVRD is governed by a Board of Commissioners (Board) and led by a chief executive (commissioner).

Client services are provided through arrangements with the federal government and other departments, agencies and institutions in accordance with regulations promulgated by the [Rehabilitation Act of 1973, 34 CFR Part 361](#). These services are individually designed to assist clients in obtaining and retaining employment. The SCVRD operates with an annual budget of \$144 million and delivers services through its 1,200 employees assigned to 26 local offices, one evaluation center, one substance abuse treatment facility, and its central office in West Columbia, SC.

1. Equine-Assisted Psychotherapy Services

Equine-assisted psychotherapy services generally involve the use of horses, a licensed therapist, and a horse specialist in addressing behavioral issues or psychosocial disorders often related to an individual's past traumatic experience. Globally, there are two organizations recognized for their equine-assisted psychotherapy services having programs offered in many states and countries: the [Professional Association of Therapeutic Horsemanship \(PATH\) International](#) and the [Equine Assisted Growth and Learning Association \(EAGALA\)](#). According to its website, PATH has 873 member centers and nearly 8,000 individual members all over the world who have helped more than 6,700 veterans through a variety of equine-assisted activities and therapy programs. EAGALA's website indicates it has 600 programs in 40 countries and offers a military services designation for EAGALA certified professionals.

PATH does not offer programs in South Carolina. However, EAGALA has at least five programs offered throughout the state that provide equine therapy for veterans and military personnel suffering with PTSD.

2. Rehabilitation Services Administration and Equine Therapy

Equine therapy is not an approved method of service provision for vocational rehabilitation clients according to the federal Rehabilitation Services Administration (RSA). The RSA liaison to the SCVRD advised it was possible for the use of some federal funds if the services were rendered to SCVRD clients; however, only the portion of the state funds expended on SCVRD clients was eligible for federal matching funds.

This form of therapy service would be a new program for SCVRD. In order for SCVRD to develop a new program, there were specific federal requirements and oversight in a new program's development. Some of these requirements and conditions included:

- Are there other comparable benefits/psychotherapy services available?
- Are there entities offering the programs so that SCVRD will not have to pay for it?
- Are SCVRD clients being served/are the individuals being served eligible SCVRD clients?
- Can equine therapy assist individuals with obtaining/ maintaining employment?
- Are these services necessary and allowable?

3. [Herd 2 Human Equine Therapy Program](#)

The H2H program, operated by the Willowbend Farm (Willowbend), Clinton, Montana, is an aid to equine-assisted psychotherapy programs providing services for individuals dealing with PTSD and emotional challenges. It is an on-the-ground program committed to working with service members and veterans by providing a safe environment for individuals to engage in interspecies communication with horses. At its Montana location, the H2H program offers classes in the form of a six-week or three-day intensive program with the contracted services of a licensed therapist. The program fee is \$1,625 per person. Through tax-deductible donations, the program is offered at no cost to veterans.

In addition, individuals can enroll in the H2H instructor certification program that teaches individuals how to operate an independent H2H equine practice. The cost of the certification program is \$10,000 per person. Maintenance of the H2H certification is contingent upon the individual maintaining membership with the Association of H2H Instructors and annual attendance at either an annual H2H conference or 20 hours of independent continuing education approved by H2H. The U.S. Department of Veteran Affairs approved this program for use on 6/1/2017 through the Servicemen’s Readjustment Act of 1944, also known as the GI Bill. (See Appendix A)

III. State Funding of the Lander University Equestrian Center

A. FYs 2015 – 2017 Proviso Funding

Beginning in FY 2015, the General Assembly appropriated \$300,000 in successive years to support the Lander Equestrian Center. Lander utilized this annual funding for the center’s operations, and to provide therapeutic riding lessons to Burton Center clients. The General Assembly appropriated these non-recurring funds through the legislative proviso process, which passed the funds to Lander through the SC Department of Disabilities and Special Needs (SCDDSN) and the SC Department of Mental Health (SCDMH) in alternating years. This funding was insufficient to cover total expenditures of the Lander Equestrian Center.

- In FY 2015, [Proviso 118.16](#) instructed SCDDSN to transfer \$300,000 to Lander for its therapeutic Equestrian Center – Burton Center. In that year, Lander expended \$390,104.00 in operational costs.
- In FY 2016, [Proviso 118.14](#) instructed SCDMH to transfer \$300,000 to Lander for the Lander Equestrian Center’s mental health treatment. In that year, Lander expended \$319,807.00 in operational costs.
- In FY 2017, [Proviso 118.16](#) instructed SCDDSN to transfer \$300,000 to Lander for its equestrian center. In that year, Lander expended \$331,901.00 in operational costs.

Lander University Equestrian Center Fiscal Years 2015-2017				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>FYs 15-17 Total</u>
Revenue				
Non-Recurring State Appropriations	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 900,000.00
Expenditures	\$ (390,104.00)	\$ (319,807.00)	\$ (331,901.00)	\$ (1,041,812.00)
Excess of Expenditures over Revenue	\$ (90,104.00)	\$ (19,807.00)	\$ (31,901.00)	\$ (141,812.00)

Lander covered the expenses exceeding the annual \$300,000 appropriations with its therapeutic riding fees, student riding/boarding fees, and sponsorships.

B. The 2017 Herd 2 Human Showcase – Lander University

In 2016, a retired South Carolina military veteran brought the H2H program to the attention of a state legislator after attending the program in Montana. In October 2016, the state legislator communicated directly with the Willowbend owner, and determined the H2H program had potential use in South Carolina. Soon thereafter, Lander and the Burton Center agreed to host a three-day showcase of the program.

The H2H showcase occurred at the Lander Equestrian Center on 3/23/2017 – 3/26/2017 with four veterans present, as well as other observers, to include two state employees who attended at the request of the state legislator. Neither employee attended as a representative of their employing agencies. One state employee, from SCDMH, was asked to attend as a participant and the other, from SCVRD, to observe the program. However, both state employees eventually participated in the three-day showcase.

The H2H showcase was provided at a cost of \$4,252.34 to the university. The total cost included car rental and fuel, one day of meetings to prepare for the showcase, as well as the three-day workshop. The Willowbend owner issued an invoice to Lander on 3/28/2017, which Lander paid in full by a paper check issued on 4/27/2017.

Between April to May 2017, Lander's MVS director and other relevant Lander employees were in periodic contact with the Willowbend owner regarding advertisement of the H2H program on Lander's social media sites and developing the curriculum to offer H2H courses. According to an enrollment staff member who spoke at Lander's 6/13/2017 Board of Trustees meeting, the courses were planned for the 2018 spring semester.

The SCVRD employee attended the showcase as an observer and maintained contact with the Willowbend owner following the showcase. The employee, a licensed professional counselor, planned to retire and open a private practice and consulting business. In May 2017, the Willowbend owner held discussions with the SCVRD employee and others, including Lander staff on the program's administration.

The SCVRD employee retired on 6/2/2017 and additional discussion followed on 6/14/2017 between the newly retired SCVRD employee, the veteran who introduced the program to South Carolina, and a Lander Equestrian Center manager to outline plans for the program. On 6/22/2017, the former SCVRD employee submitted a draft proposal to a Lander executive team member naming the former SCVRD employee's personal business as the program's administrator that would create an equine therapy program for \$200,000, not including clinical services. Willowbend and the H2H program were not mentioned in the proposal. In a response, dated 6/29/2017, the Lander executive stated procurement requirements were being researched. On 7/5/2017, the former SCVRD employee advised the Lander executive the procurement could be issued as a sole-source contract.

From 7/5/2017 to 9/19/2017, Lander staff held internal discussions regarding the funding and procurement for the H2H pilot program. Also during this time, the Willowbend owner provided H2H material to Lander at the request of its MVS director. Lander staff ultimately determined, after obtaining additional guidance from an auditor with the Procurement Services Division, State Fiscal Accountability Authority (SFAA), that a request for proposal (RFP) was the appropriate procurement procedure instead of a sole-source contract. According to the auditor, "Consultants are a hard sell as a sole-source."

C. FY 2018 State Funding – Equine Therapy Pilot Program

On 3/7/2017, the House Ways and Means Committee introduced Proviso 117.134 to have SCVRD transfer \$500,000 to Lander for its equestrian center operations and the creation of an equine therapy pilot program. The Senate Finance Committee, which introduced a competing proviso, Proviso 118.14, on 4/4/2017, deleted [Proviso 117.134](#).² The legislative conference committee adopted both provisos, which the General Assembly ratified on 6/6/2017. However, [Proviso 118.14](#), which appropriated \$200,000 in non-recurring funding to SCVRD for the "Lander Equestrian Center PTSD Pilot," never materialized due to a shortfall in General Fund

² 117.134. (GP: Equestrian Center Therapy Program): *The Department of Vocational Rehabilitation shall transfer \$500,000 to Lander University for the Lander Equestrian Center. These funds shall be used for the operation of the Equestrian Center and to create a Herd 2 Human pilot program to provide equine assisted psychotherapy geared towards military members as a method of treating post-traumatic stress disorder (PTSD) and other similar disorders. These funds shall be used solely for the Equestrian Center and shall not be transferred and used for any other purpose.*

investment earning deposits. ([SIG Letter Re: Review of Earnings on Investment Deposits to General fund by the State Treasurer's Office](#))

Federal Matching Impact to SCVRD

According to SCVRD executive management, the legislative liaison informed SCVRD of the budget proviso on 2/21/2017 and again on 3/20/2017 at the SCVRD's executive staff meeting. This budget proviso was unexpected as it occurred after SCVRD had already submitted its FY 2018 budget to the General Assembly.

SCVRD did not receive \$500,000 in supplemental funding to act as a pass-through to Lander; rather, \$500,000 in SCVRD's state funding was directly transferred on 10/3/2017 to Lander in accordance with the direction of [Proviso 117.134](#). As a result, SCVRD lost an additional \$1,500,000 in federal matching funds, based on the matching formula of \$3 (federal) for every \$1 (state), transferred to Lander for its equestrian center operations and the creation of an equine therapy pilot program.



D. Lander Procurement – Equine Therapy Pilot Program

Lander developed the RFP based on key components of the former SCVRD employee's draft proposal to Lander in June 2017. On 9/20/2017, Lander issued solicitation # [RFP-MM-377-10-09-2017](#) for the "Development of Equine-therapy Program for PTSD Treatment." According to the RFP requirements, the contractor was expected to have "first-hand experience with equine therapy for PTSD treatment, preferably 'Herd to Human'."

On 9/20/2017, the former SCVRD employee received an email from Lander staff with a hyperlink to the solicitation, who forwarded the message to the Willowbend owner. Interviews conducted of the Willowbend owner and the former SCVRD employee confirmed Willowbend was not a registered South Carolina vendor and had insufficient time to become registered with the state before the RFP deadline to submit a bid. Consequently, the Willowbend owner agreed for H2H to be a subcontractor to the former SCVRD employee's consulting business, All Ways Tranquil, LLC (All Things Tranquil), in response to the RFP solicitation.

Under the RFP terms, contract work was expected to begin as early as 10/15/2017, after the award to the "highest ranked, responsive and responsible" offer that would be "most advantageous to the University." Although research conducted by Lander's procurement director identified one other equine therapy program in South Carolina, Lander received only one offer to the solicitation. The offer from All Ways Tranquil included H2H as a subcontractor to the proposal. The sole bid submitted totaled \$354,000, which substantially exceeded Lander's \$200,000 procurement certificate of authority.

On 10/12/2017, the Lander procurement director cancelled the solicitation and sent notification to All Ways Tranquil, which forwarded the message to Willowbend. Lander awarded no contract and no additional discussions transpired between Lander staff and the Willowbend owner at that time.

E. Lander Development of an Internal Equine Therapy Pilot Program

Following the RFP cancellation, Lander initiated efforts to create an internal equine therapy pilot program. In December 2017, Lander staff met with a PTSD consultant to determine Lander's ability to develop and manage an internal equine therapy pilot program. On 2/15/2018, the MVS director received approval from Lander executives to create and fill two positions, i.e., Program Coordinator and Equine Coordinator, along with a Clinical Consultant, to administer the program in the university's MVS department. Additionally, the university initiated efforts to provide permanent housing for the MVS department and the equine therapy pilot program through the leasing and renovation of the American Legion building. The Lander Foundation previously purchased the American Legion building on 1/18/2018. (See Appendix B)

While Lander executives and other staff performed the necessary steps to authorize the new positions, acquire the necessary equipment, and renovate the American Legion building for the pilot program, the MVS director requested the cost for an adjusted proposal from the Willowbend owner. The Willowbend owner provided a proposed cost of \$46,000 to complete two three-day intensive courses and a five-day instructors' training course, excluding the costs for lodging, transportation, and other expenses. Based on this information, Lander continued its efforts to develop an internal equine therapy pilot program.

F. Lander Expenditures – Proviso 117.134

Lander received the \$500,000 from SCVRD in accordance to [Proviso 117.134](#) on 10/3/2017. Lander internally budgeted \$300,000 for the equestrian center, consistent with funding in prior years, and allocated \$200,000 for the equine therapy pilot program in an account titled "PTSD Pilot." Lander's expenditure of funds from the PTSD Pilot account were as follows:

January 2018 Purchase Orders (PO)

In January 2018, Lander issued a PO for \$1,700.34 to pay for the travel of the consultant and an honorarium for consulting work performed in December 2017.

PO Date	Document #	Paid Date	Amount	Description
1/4/2018	10084997	1/12/2018	1,700.34	Consultation on PTSD Program - Honorarium & Travel

February 2018 PO

In February 2018, Lander issued a PO for \$56,837 to purchase a custom-made ADA compliant bus to transport veterans to the equestrian center, approximately six miles away from Lander's campus.

PO Date	Document #	Paid Date	Amount	Description
2/15/2018	10087509	7/11/2018	56,837.00	ADA Compliant Bus

March 2018 PO

In March 2018, Lander issued a PO for \$4,489.72 to purchase a golf cart to transport military veterans from the equestrian center parking lot to the center's entrance door.

PO Date	Document #	Paid Date	Amount	Description
3/21/2018	10086021	3/27/2018	4,489.72	Golf Cart

By the end of March 2018, Lander had expended or obligated \$63,027.06 of its \$200,000 equine therapy pilot program budget, leaving an available balance of \$136,972.94 for the pilot program.

G. FY 2019 Proviso 118.15 Introduction and Timeline

On 3/6/2018, the House Ways and Means Committee introduced Proviso 118.15 to provide Lander another \$500,000 in non-recurring funds for its equestrian center program. The Senate Finance Committee amended the proviso on 4/5/2018, to give Lander only \$1. On 5/3/2018, the full House of Representatives amended the proviso a second time to fund SCVRD with \$500,000 for an equestrian center PTSD program and the requirement that Lander return any unexpended funds it received in previous FYs for the same purpose. The legislative conference committee adopted Proviso 118.15 on 6/28/2018, and the General Assembly ratified the proviso on 6/29/2018.³



H. Lander’s Use of Proviso 117.134 Funds – Post 4/11/2018

On 4/11/2018, following the Senate Finance Committee’s amendment to Proviso 118.15 on 4/5/2018, the MVS director suspended the job postings due to the uncertainty of future funding for an internal equine therapy pilot program in FY 2019. As a result, \$136,972.94 in unexpended Proviso 117.134 funding remained in the Lander PTSD Pilot account. Lander executives continued with legislative efforts to secure FY 2019 funding for its internal equine therapy program prior to the close of FY 2018.

Lander finance staff made journal entries to transfer funds from the PTSD Pilot account to cover FY 2018 equestrian center expenses, program development costs, and renovations and lease payments for the American Legion building. The following documents the expenditures from the PTSD Pilot account after 4/11/2018.

1. Equestrian Center Costs

On 6/30/2018, Lander completed a journal entry that transferred \$81,415.69 from the PTSD Pilot account to its equestrian center account. This transfer covered temporary staffing services, supplies for maintenance of the horses, travel reimbursements of equestrian center staff, utilities, maintenance supplies, and a cost allocation of personnel services totaling \$74,215.69. Personnel services alone were \$52,343 for building maintenance (\$8,461), grounds maintenance (\$3,349), custodial services (\$1,191), and institutional support personnel (\$39,342). Contrary to prior years, Lander did not use therapeutic riding fees, student riding/boarding fees, and sponsorships for equestrian center operations in FY 2018. Due to the uncertainty of future funding for the equestrian center, Lander held the funding for potential use to offset expenses in FY 2019.

Included in the transfer was \$7,200 for the lease of the American Legion building. Three purchase orders dated 4/11/2018, covered six months of lease payments at \$1,200 per month, retroactive to January 2018 when Lander began leasing the building from the Lander Foundation. One purchase order issued for \$4,800 covered the lease

³ 118.15 (9) H730 - Vocational Rehabilitation Equestrian Center PTSD Program \$500,000: (9.1) *The funds appropriated to the Department of Vocational Rehabilitation in Item (9) for the Equestrian Center PTSD Program shall be used by the department to develop an equine therapy program with an emphasis on serving veterans with Post-Traumatic Stress Disorder. Any unexpended funds appropriated to Lander University in previous fiscal years for this purpose shall be transferred to the Department of Vocational Rehabilitation to be expended for this program. The department may utilize existing contract proposals to establish a pilot program at a single location and provide for potential expansion to other locations.*

period of January through April 2018 was paid on 4/20/2018. A second purchase order issued for \$1,200 for the May 2018 rental period was paid on 5/1/2018. The third purchase order issued for \$1,200 for June 2018 rental period was paid on 5/31/2018.

The SIG accepted the initial four months in lease payments (\$4,800), but excluded the lease payments for May and June 2018 (\$2,400) due to Lander's suspension of its program development efforts during those months. As a result, Lander's use of \$79,015.69 (\$74,215.69 + \$4,800) of the Proviso 117.134 funds for equestrian center operations and the lease of the American Legion building conformed to the use of Proviso 117.134 funds.

2. American Legion Building Costs

On 8/2/2018, Lander finance staff transferred \$54,972.13 to the American Legion account from the PTSD Pilot account to cover expenses for renovations to the building as part of its internal equine therapy program development efforts. These renovation efforts and expense obligations originated during the initial development phase of Lander's internal equine therapy program (January – April 2018).

A review of Lander financial records determined Lander expended \$23,829.32 on repairs, to include a purchase order issued on 4/16/2018 for \$17,896.78 for labor and materials to install new flooring. On 4/26/2018, Lander purchased new office furniture for the MVS department for \$18,774.11, and installed the furniture in the American Legion building in August 2018. Lander expended another \$12,368.70 on various expenses for security of the building including maintenance of fire extinguishers, monitoring the fire alarm system, and asbestos sampling.

However, one payment of \$360.00 on 6/20/2018 was a prepayment of annual fire alarm monitoring in the American Legion building for FY 2019. The SIG did not accept this as an acceptable use of Proviso 117.134. Excluding the \$360 prepayment expense, Lander's use of \$54,612.13 in Proviso 117.134 funds for preparation of the American Legion building to house the MVS department and provide program oversight to an internal equine therapy pilot program conformed to the use of Proviso 117.134 funds.

3. Other PTSD Pilot Account Transactions After FY 2018

On 6/27/2018, the MVS director issued a purchase order for \$15,869.84 to purchase three laptops and six desktop computers for use by MVS staff and veterans for the program, followed by a second purchase order on 6/28/2018 to purchase software for \$7,770.66. These transactions did not post to the account until 7/23/2018 and 8/16/2018, respectively, and resulted in a negative balance to the PTSD Pilot account. During the course of this SIG review, Lander staff corrected the charge to the PTSD Pilot account on 7/23/2019, to reflect a zero (\$0) balance in the PTSD Pilot account.

On 8/27/2018, Lander transferred \$585.12 to SCVRD as the unexpended funds from Proviso 117.134 in accordance with Proviso 118.15.

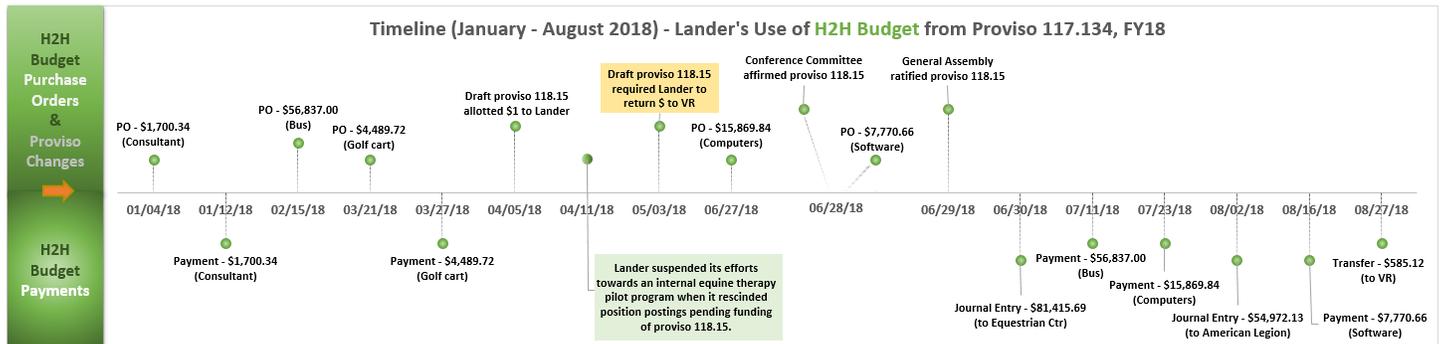
I. SIG Analysis

The SIG determined the following Lander expenditures complied with the provisions set forth in Proviso 117.134:

\$300,000.00 – Equestrian Center Operations (budgeted)
\$ 74,215.69 – Equestrian Center (additional expenses)
\$ 63,027.06 – H2H Equine Therapy Pilot Program Development
\$ 54,612.13 – American Legion Repairs and Preparations for Pilot Program
\$ 4,800.00 – American Legion Lease Payments (January – April)
\$496,654.88 – Allowable Use of Funds

However, \$2,760 utilized for lease payments (\$2,400) and security (\$360) to the American Legion building occurred after Lander became aware it would not receive funding in FY 2019 for the pilot program.

Lander internally budgeted \$200,000 for the equine therapy pilot program with Proviso 117.134 funding. The timeline below outlines Lander’s obligation, expenditure, and closing journal entries of Proviso 117.134 funds for the development of an internal equine therapy program. The critical dates of 4/11/2018 and 5/3/2018 identify the points in time when Lander suspended its efforts to develop an internal pilot program while Lander executives continued efforts to secure FY 2019 funding through the legislative process prior to the ratification of the FY 2019 state budget on 6/29/2018. (See Appendix C)



The MVS department did not move into its new office space in the American Legion building as originally intended. Two computers remained in a closet while the others were being used by veterans in the resource center and by Lander staff.

The SIG determined Lander should have suspended the use of the Proviso 117.134 funds in the PTSD Pilot account funds following the removal of the job postings (4/11/2018) and at the realization that future funding for the program was questionable when Proviso 118.15 was introduced on 4/5/2018 and amended on 5/3/2018. In addition, the SIG determined Lander failed to request from the General Assembly a repurposing of the remaining funds not for use in the equestrian center operations or the equine therapy pilot program.

Based on SIG analysis, Lander should have transferred \$3,345.12 to SCVRD in unexpended funds in accordance with [Proviso 118.15](#).

\$500,000.00	– Total Proviso 117.134 Funds
<u>(496,654.88)</u>	– Allowable Use of Funds
\$ 3,345.12	– Unexpended Funds (\$2,760 + \$585.12)

IV. FY 2019 State Funding – Equine Therapy Pilot Program

On 3/6/2018, the House Ways and Means Committee introduced Proviso 118.15 to fund another \$500,000 to Lander for an “equine therapy pilot program” for FY 2019. On 3/7/2018, following the SCVRD Board meeting, the former SCVRD employee introduced the Willowbend owner and the H2H program to a select group of the SCVRD Board chair and executive staff using video conferencing. As of 3/7/2018, SCVRD had not appeared in any proposed FY 2019 legislation or proviso for an equine therapy pilot program.

In a follow up email to the SCVRD commissioner and Board chairperson on 3/19/2018, the former SCVRD employee provided a sample proposal identical to the bid response submitted to the Lander RFP in October 2017. The sample proposal included the statement, “Should SCVRD choose to move forward with this proposal, a contract would need to be signed within 30 days from today.” The SCVRD took no action on the sample proposal. On 4/9/2018, the former SCVRD employee sent another email to the SCVRD commissioner instructing how to sole-source a governmental contract.

On 4/26/2018, SCVRD executive staff became aware of proposed language to amend Proviso 118.15 and provide \$500,000 to SCVRD to initiate an equine therapy pilot program in FY 2019. On 5/3/2018, Proviso 118.15 was amended with this very language. The General Assembly ratified [Proviso 118.15](#) on 6/28/2018, which appropriated \$500,000 to SCVRD to conduct an equine therapy pilot program. The proviso also instructed SCVRD it could utilize existing contract proposals and instructed Lander to return any unexpended funds it received in previous fiscal years for the same purpose.

A. SCVRD Procurement – Equine Therapy Pilot Program

On 8/13/2018, SCVRD issued RFP solicitation #5400016131 for the development of an equine therapy program in partnership with SCVRD. On the same date, SCVRD emailed an invitation to bid to thirteen entities, including Willowbend. The solicitation was for a contractor to develop Phase I of an equine therapy pilot program focused on addressing PTSD in military veterans, provide resources for program performance, and successfully graduate one class of therapy participants. The solicitation closed on 9/4/2018 with only one bid received, i.e., Willowbend. All Ways Tranquil was identified as the subcontractor for counseling, assessment, and marketing services.

Through interviews and a review of SCVRD’s procurement file, the SIG determined the former SCVRD employee authored the bid proposal to ensure it met the terms set forth in the SCVRD solicitation. The SIG determined the Willowbend owner submitted the bid proposal through the U.S. Postal Service on 8/31/2018. In his proposal, the Willowbend owner made an offer for program development, provisions for services, and assessment/counseling services for \$250,000 – the same as SCVRD’s maximum certification level of procurement authority. The business proposal indicated, “Category prices may need adjustments, but the final cost will remain \$250,000.”

On 9/19/2018, SCVRD’s evaluation panel consisting of three SCVRD executive staff members reviewed the single proposal received. According to the RFP, there were five categories for evaluation: (A) Qualifications, references, and experiences; (B) Therapeutic methods; (C) Facility; (D) Marketing plan to solicit participants; and (E) Cost. The panelists’ evaluations included all except (D). Based on rules of the evaluation process, the procurement officer contacted the Willowbend owner with questions to address three issues contained in the bid so the panel could complete the evaluations. On 9/21/2018, the Willowbend owner provided an amended business and technical proposal to address two of the issues. The third issue was addressed in a narrative response.

Unanimously, evaluators expressed concern that therapeutic methods were not clearly stated and that a work plan was not provided. However, the SCVRD procurement official interviewed references provided by Willowbend noting the references were pleased with Willowbend’s work product. Willowbend’s bid did not provide references for All Ways Tranquil, the clinical subcontractor listed on the proposal.

B. Contract Award

The SCVRD procurement officer determined Willowbend to be a responsive and responsible offeror and on 11/14/2018, the SCVRD procurement officer and the Willowbend owner signed the *Record of Negotiations* with the following specifications:

- Willowbend was required to submit itemized invoices when requesting payment to substantiate all program expenditures;
- SCVRD would not pay stipends in addition to the agreed-upon \$250,000;
- The contract was contingent upon a signed agreement with Clemson University’s T. Ed Garrison Arena; and
- Willowbend was required to send itemized invoice for the start-up costs of \$25,000 at the implementation of the contract.

The SCVRD agreed to advance \$25,000 to Willowbend for start-up costs and an additional \$108,000 for provision of services if proper receipts and invoices were submitted to validate program expenses.

The Intent to Award was posted on 11/19/2018, and was contingent upon Willowbend obtaining a signed contract with Clemson University’s T. Ed Garrison Arena for use of its facility. The Willowbend owner signed a contract with Clemson University on 11/21/2018 for the use of its facility for the “Herd 2 Human 3 Day Program” to take place at the cattle complex housing facility on dates to be determined in January 2019.

The Intent to Award a contract to Willowbend had a potential value of \$250,000 for the contract period of 11/20/2018 through 11/19/2019. On 12/28/2018, Willowbend entered into a Professional Services Agreement with All Ways Tranquil to provide deliverables regarding the PTSD clinical program and participant assessments. The remaining \$250,000 from Proviso 118.15 was reserved by SCVRD to cover costs for SCVRD staff time expended on meetings, review of documentation, phone calls, and the pilot program as this was not an approved federal program by the RSA.

Contract Performance Requirements

The terms of the RFP indicated performance of the contract would entail the “Contractor shall develop Phase 1 of a pilot equine therapy program focused on addressing PTSD in veterans, and successfully graduate at least one (1) class of therapy participants through the program.” It is unclear as to whether a six-week program, a three-day intensive program, or both were expected. In an amended business proposal sent to SCVRD on 9/21/2018, the Willowbend owner stated a three-day intensive program would be conducted, but provided the itinerary for a six-week program as part of the technical proposal.

In Board meeting minutes dated 12/5/2018, SCVRD’s general counsel mentioned the pilot program would include a “...three-day weekend session, with plans to expand the curriculum to include veterans and consumers in a six-week program.” The *Record of Negotiations* did not otherwise state the expectation.⁴

The Willowbend owner held two three-day H2H classes in January 2019 (1/22-24/2019 and 1/25-27/2019). Twelve military veterans participated in the two classes (six per class). However, based on a final report issued by the subcontractor, All Ways Tranquil, only ten participants completed the course and only nine of those completed the follow-up assessments.

C. SCVRD Expenditures – Proviso 118.15

Willowbend submitted the following invoices for payment to SCVRD:

Invoice #1 – November 2018

Invoice #1, dated 11/21/2018, was for start-up costs of \$25,000 as agreed upon during the contract negotiations. These costs included travel costs, insurance, and other support services, as well as for the initial program set-up with the SCVRD program coordinator, training and program structure with subcontractors, a marketing plan, and coordination with Clemson University for research. No line item costs were included on the invoice. On 12/14/2018, SCVRD paid \$25,000 to Willowbend for invoice #1.

Date	Description	Amount	<i>Willowbend Farms, Inc (Contractor)</i>	<i>All Ways Tranquil, LLC (Sub-Contractor)</i>
11/21/2018	Invoice for Start Up	25,000.00	25,000.00	-

⁴ This matter was addressed in Willowbend’s appeal to the Chief Procurement Officer, SFAA, on 4/3/2019, in accordance to the [SC Consolidated Procurement Code Section 11-35-4230](#).

Invoice #2 – January 2019

On 1/14/2019, Willowbend submitted invoice #2 for \$24,400, and included an itemized invoice from All Ways Tranquil for \$5,250 for 20 hours of pre-program meetings and 15 hours of research and development (R&D) for the period of 12/10/2018 – 12/28/2018. All Ways Tranquil incurred these expenses prior to its contract with Willowbend. The remaining \$19,150 invoiced was for participants and staff, transportation, marketing, program development, and recruitment. Line item costs were not included on the invoice. The SCVRD did not pay on this invoice due to Willowbend’s failure to provide the requested documentation.

Date	Description	Amount	<i>Willowbend Farms, Inc (Contractor)</i>	<i>All Ways Tranquil, LLC (Sub-Contractor)</i>
1/14/2019	Invoice	24,400.00	19,150.00	5,250.00

Invoice #3 – February 2019

On 2/4/2019, Willowbend submitted invoice #3 for \$53,200 for two three-day intensive programs conducted from 1/22/2019 - 1/27/2019 with twelve participants. The interim counselor fees included costs for 223 hours of meetings, research, and reporting, as well as the unpaid \$5,250 from invoice #2 (December 2018). One-hundred and four (104) of the counselor’s 223 hours were spent visiting with the twelve veterans located throughout SC to conduct in-person meetings, assessments, and treatment plans in preparation for the three-day intensive programs. According to the subcontractor, travel time was included in the average (not actual) time to conduct interviews of participants. Willowbend provided an itemized invoice for All Ways Tranquil and line items costs for Willowbend’s expenses. The SCVRD delayed payment on this invoice until 4/10/2019, when it received the requested proof of expenses from Willowbend.

Date	Description	Amount	<i>Willowbend Farms, Inc (Contractor)</i>	<i>All Ways Tranquil, LLC (Sub-Contractor)</i>
2/4/2019	Invoice	53,200.00	19,750.00	33,450.00

Invoice #4 – March 2019

On 3/6/2019, Willowbend submitted a final invoice to SCVRD for the \$225,000 balance for the development of H2H Pilot Program in Upstate SC. This amount included the \$53,200 from the 2/4/2019 invoice, as well as two additional invoices from All Ways Tranquil for R&D, 89 hours of follow-up assessments, and \$30,000 for the intellectual design of a clinical program for H2H. Willowbend did not submit the latter two invoices for All Ways Tranquil to SCVRD. The only line item contained on the invoice was for the entire amount requested. The SCVRD did not pay on this invoice.

Date	Description	Amount	<i>Willowbend Farms, Inc (Contractor)</i>	<i>All Ways Tranquil, LLC (Sub-Contractor)</i>
3/6/2019	Invoice for development of H2H	225,000.00	150,000.00	75,000.00

Contract Dispute and Termination

The SCVRD did not provide payment on the Willowbend invoices due to its failure to provide documentation to substantiate the invoiced amounts. Under governmental accounting principles and the terms of the contract,

SCVRD could not provide payment to a contractor without proper documentation to substantiate the expenses in an invoice for services rendered.

In a letter to the Willowbend owner, dated 3/15/2019, SCVRD described seven deficiencies it found in Willowbend's contract performance. The Willowbend owner denied any deficiency in the contracted work in an email response on 3/21/2019 and more formally on 3/22/2019. On 4/1/2019, the SCVRD procurement official terminated the contract with Willowbend "for cause." On 4/3/2019, the Willowbend owner requested a resolution of the controversy between Willowbend and SCVRD to the SC Chief Procurement Officer (CPO), SFAA, in accordance with [SC Consolidated Procurement Code Section 11-35-4230](#).

On 4/10/2019, SCVRD remitted to Willowbend a payment of \$40,000 for Invoice #3. The payment covered counselor fees (\$33,450), accommodations for students and staff (\$4,750), and facility costs (\$1,800). The SCVRD paid the counselor fees (\$33,450) based on the All Ways Tranquil itemized invoices. The SIG determined All Ways Tranquil received only \$5,250 of the \$33,450 payment from Willowbend.

Through interviews with SCVRD officials and the Willowbend owner, the SIG determined the Willowbend owner did not provide receipts for the remaining costs and program expenses for confidentiality purposes in order to protect the H2H program's intellectual design of the H2H program.

The state's Consolidated Procurement Code (CPC) under SC Code of Laws, [§11-3-185](#) requires that proper invoicing and receipts should accompany payment requisitions and be "drawn only when actually owing and due." The CPC ([§11-35-1830](#)) specifically references the responsibility of a contractor to furnish requested documents upon request of the procurement officer.

Furthermore, under the RFP's "Contractor's Obligations – General" section the contractor is responsible for providing material, equipment, and all other such things necessary to perform services and assumes full responsibility of the work of the subcontractor. SC Code of Laws [§29-6-30](#) indicates the contractor is to pay its subcontractor within a designated time for work completed in accordance with the contract.

Due to Willowbend's protest to the state's CPO, on 4/3/2019, for SCVRD's termination of the contract the agency suspended the use of the unexpended proviso funds except for the agency's administrative costs associated with this program. As previously established, the equine therapy program was not an approved federal program for SCVRD; therefore, SCVRD could only use state funds for the agency's administrative costs for this program.

D. SIG Analysis

Pursuant to Proviso 118.15 directions, SCVRD received the following funds for the creation of an equine therapy pilot program:

- \$585.12 – Lander transferred its unexpended equine therapy funds on 8/27/2018; and
- \$500,000 – Non-recurring state funds available for use by SCVRD on 9/6/2018.

As a result, SCVRD began with a balance of \$500,585.12 for its equine therapy pilot program.

For FY 2019, SCVRD paid \$65,000 to Willowbend under the contract and attributed \$18,985.80 in administrative costs to the equine therapy program. In FY 2020, SCVRD continued to incur \$1,565.44 in administrative costs for this program due to the contract dispute and protest to the CPO. In total, SCVRD expended \$85,551.24 from Proviso 118.15 funding.

The SIG determined SCVRD's expenditure of \$85,551.24 in Proviso 118.15 funds complied with the provisions set forth in Proviso 118.15. Based on these expenditures SCVRD has an unexpended balance of \$415,033.88 in Proviso 118.15 funding.⁵

\$500,585.12	– Beginning Balance – Proviso 118.15 Funds
<u>(\$ 85,551.24)</u>	– Total Allowable Use of Funds
\$415,033.88	– Unexpended Funds

Except for administrative costs incurred during the CPO review, the SCVRD suspended the use of Proviso 118.15 funds for the equine therapy pilot program.

V. Observation and Conclusion

The use of a competitive procurement process to create and fund an equine therapy pilot program was the correct approach for Lander and SCVRD. Per the Consolidated Procurement Code and the Procurement Services Division, SFAA provide the requisite guidance and oversight to state agencies and procurement officials to effectively and efficiently administer contracts with vendors and disburse state funds in these matters.

Lander's use of \$496,654.88 for its equestrian center and development of an internal equine therapy pilot program complied with Proviso 117.134. Between 5/3/2018 and 6/30/2018, Lander continued its efforts to secure future funding in the FY 2019 budget to reignite development of an internal equine therapy program.

However, the use of \$2,760.00 in Proviso 117.134 funds for other university purposes after it suspended these development efforts fell outside of the intended use presented in the proviso. To utilize these funds outside of the proviso's purpose required a request to the state legislature to repurpose the funds. Lander did not make a request to the state legislature to repurpose the funds. Consequently, Lander should have transferred \$3,345.12 to SCVRD pursuant to Proviso 118.15, instead of the \$585.12 it transferred on 8/27/2018.

The SCVRD's use of \$85,551.24 complied with the provisions set forth in Proviso 118.15. As of 9/16/2019, the state has \$415,033.88 available to continue its efforts toward building an equine therapy PTSD program for South Carolinians suffering from PTSD. The scope of this review did not consider SCVRD's termination of the contract with Willowbend "for cause" as the protest is under review by the CPO, which will determine the outcome of the protest.

A total of \$1 million was appropriated by the General Assembly in FYs 2018 and 2019 to provide funding for Lander's equestrian center operations and the creation of an equine therapy pilot program by both agencies for military veterans suffering from PTSD. The possibility of expanding this program to other state mental health agencies to treat South Carolinians suffering from PTSD remains a worthy endeavor.

However, it is the SIG's recommendation that a cost benefit analysis be conducted to determine the advantages and disadvantages in creating a state-run equine therapy program versus utilizing existing non-profit and private programs in the state through state mental health agencies prior to reinitiating an equine therapy pilot program to ensure the appropriate use of state resources.

⁵ This amount is as of 9/16/2019. These costs will continue to grow as the agency incurs additional administrative costs while the contract dispute and protest is under review by the CPO.

VI. Finding and Recommendation

Observation: Between 5/3/2018 and 6/30/2018, Lander continued its efforts to secure future funding in the FY 2019 budget to reignite development of an internal equine therapy program. However, the use of \$2,760.00 in Proviso 117.134 funds for other university purposes after it suspended these development efforts fell outside of the intended use of the proviso funding. As a result, Lander transferred only \$585.12 instead of \$3,345.12 in unexpended program funds to the SCVRD as directed in Proviso 118.15 (FY 2019).

Recommendation: Lander should consider lapsing the remaining \$2,760.00 in university funds to the state's General Fund as a good faith gesture toward fulfilling the requirement to transfer unexpended equine therapy pilot program funds to SCVRD.