



SUMMARY

SC STATE UNIVERSITY

A Review of Construction of the James E. Clyburn University Transportation Center and Transportation Center Program Expenditures



INTRODUCTION

Members of the General Assembly requested the Legislative Audit Council to review the James E. Clyburn University Transportation Center at SC State University (SCSU). We examined how funds for the construction of the transportation center were expended, reviewed the impact of the loss of the designation as a Tier I transportation center, and examined how grant funds associated with the center were expended.

BACKGROUND

The University's transportation center was established in 1998. Its purpose is to assist federal, state, and local governmental agencies in meeting their goals to develop a highly-skilled workforce to meet future needs in transportation.

SCSU is also constructing the James E. Clyburn University Transportation Center. When completed, the center will consist of six buildings comprising almost 200,000 square feet for research, office space, conference space, and guest quarters. The center has an estimated cost of more than \$100 million and a projected completion date of 2020, pending additional funding.

MAJOR FINDINGS

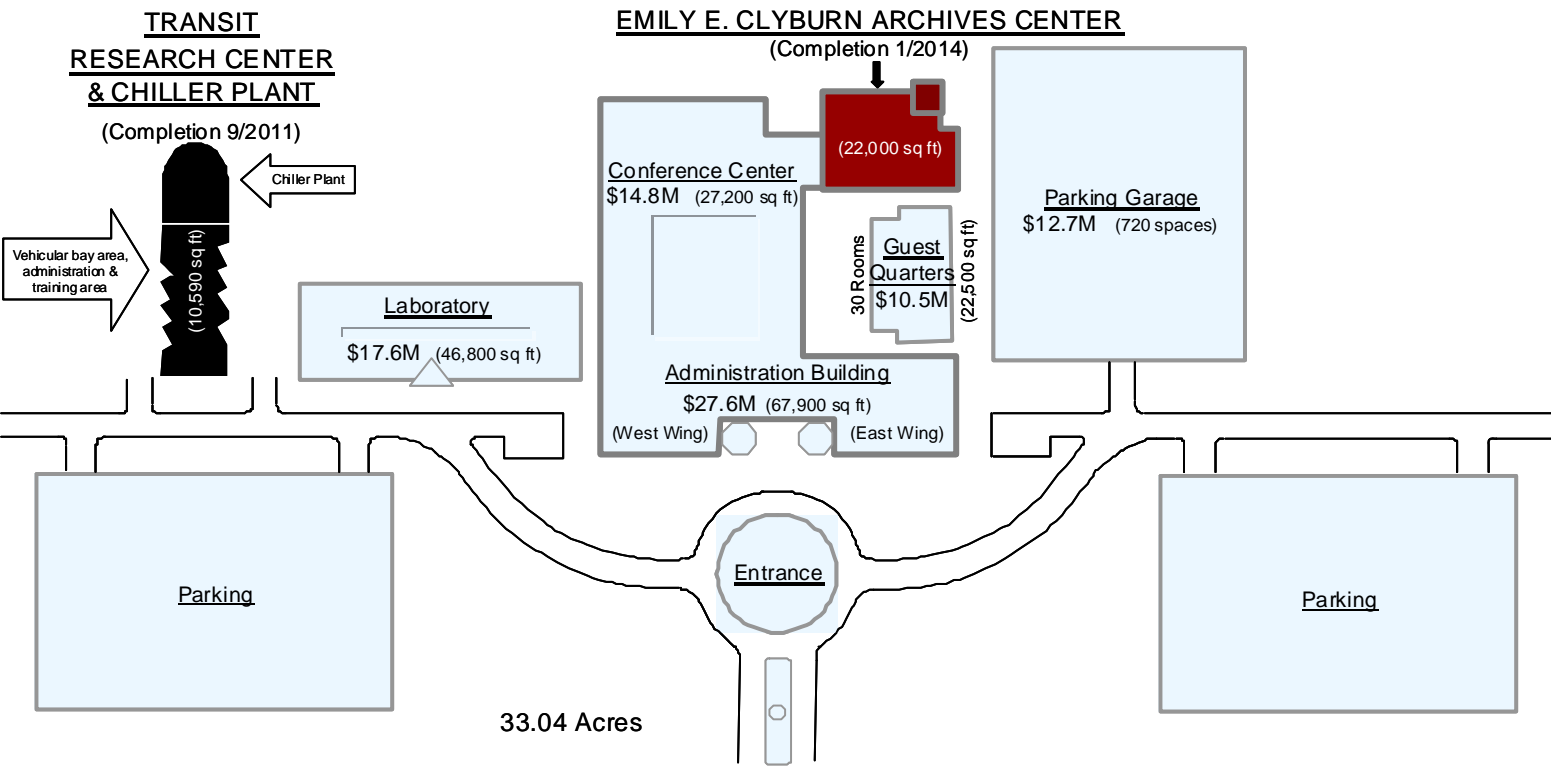
- We reviewed expenditures for construction of the James E. Clyburn University Transportation Center (JECUTC) and certain transportation programs associated with the center to address allegations of more than \$50 million in "missing funds." We did not find evidence of missing funds, but did find questionable expenditure of funds as discussed in this report.
- The transportation center is planned to be a 33-acre complex consisting of six buildings for research, an archives and library, a conference center, guest quarters, and administrative functions (see p. 2). However, SCSU has identified only \$27 million of the \$107 million needed to complete the center. Although SCSU lacks the \$80 million to complete the center, it has begun work and has exposed the University to future financial obligations.
- The University does not have a viable plan to raise more than \$80 million needed to complete the center. SCSU is also obligated to pay \$3 million in state or other funds during the next two fiscal years to match federally-appropriated funds and plans to use lottery appropriations for the match. SCSU's past reliance on federal earmarks is doubtful in the future since SCSU has lost its designation as a Tier I University Transportation Center (UTC) (see below).
- Construction delays have been caused by a lack of proper oversight and inexperience, and insufficient staff; agency documents indicate that even with full funding, the center will not be completed until 2020.
- SCSU has lost its Tier I UTC designation. As a Tier I, SCSU received \$11.1 million in state and federal funds for teaching and research from 1998 to 2006. In 2006, the University lost the Tier I designation. Losing this status cost the University approximately \$3 million in federal funds and resulted in cutbacks in academic programs and services. The salary of the center's recently hired director, questionable grant expenditures, and match shortfalls must be funded by SCSU, resulting in fewer resources for student programs. The loss of Tier I status will increase the difficulty of obtaining future funds for the completion of the center.
- Inadequate financial controls have resulted in insufficient state matching funds for both construction and center programs, unwarranted travel reimbursements, and overbillings that needed to be repaid. SCSU has a potential liability to repay funds to cover the shortfall in state match (up to \$1.7 million), and other disallowed expenses; the federal government has not reimbursed SCSU for approximately \$900,000 in grant receivables requested five years ago.
- Both the Federal Highway Administration (FHWA) (through the federal Department of Health and Human Services' Office of Inspector General) and the S.C. Department of Transportation are currently auditing selected grants administered through the transportation center and have yet to release the results of their reviews. We limited our review to grants awarded by the U.S. Department of Transportation's Research and Innovative Technology Administration (RITA) to avoid duplication with these agencies.

JUNE 2011

TRANSPORTATION CENTER CONSTRUCTION DIAGRAM

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

	Completely funded
	Federal funds appropriated ~ requires state matching funds to complete
	Currently unfunded



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

Source: Project Management Plan and Phasing Plan

CONSTRUCTION OF THE JAMES E. CLYBURN UNIVERSITY TRANSPORTATION CENTER

As of March 2011, the University had \$24,097,233 in congressionally earmarked federal funds available for construction of the center. These funds require the University to provide \$3,072,028 in state matching funds. SCSU receives federal funds on a reimbursable basis, only after authorized and eligible expenditures have been incurred. The remaining federal funds are held in the National Highway Trust Fund and will only be paid to SCSU after actual construction costs are incurred.

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

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

ADDITIONAL FUNDS NEEDED TO COMPLETE CENTER

SCSU does not have a detailed, viable plan to raise approximately \$80 million in additional funds needed to complete the center. In the past, SCSU has relied on congressional earmarks to fund the center. SCSU stated it has continued to make funding requests to a South Carolina Congressman.

REIMBURSEMENT REQUESTS

- To avoid losing \$200,000 in Federal Housing and Urban Development (HUD) funds, SCSU staff submitted a reimbursement request to HUD in 2006 which included expenditures which had already been paid by FHWA. SCSU did not correct the error until March 2011.
- In 2006, SCSU submitted a reimbursement request which included \$40,000 in preliminary real estate costs for property which was not purchased. The error was not corrected until November 2010.
- SCSU planned to include \$339,650 in land purchases made in 2005 and 2006 as in-kind match for the center. However, it was later determined that federal funds had paid for the land and, therefore, it could not be used as match.

CONSTRUCTION DELAYS FOR PHASE 1

Construction of Phase 1 of the JECUTC has experienced significant delays since 2002 when funds first became available. We found that lack of proper oversight by SCSU, inexperience with federally-funded projects, and a lack of sufficient resources dedicated to the project contributed to these delays. The following summarizes issues that have contributed to the delay in completing the JECUTC.

SCSU did not verify that it owned all the land needed for the JECUTC prior to beginning construction.

Construction began in October 2006 and in November 2006 the construction company determined that part of the site work and a proposed retention pond were on private property not owned by SCSU. In addition, SCSU determined that it did not have clear title to public streets that were to be closed in order to build the center. It took SCSU until April 2008 to obtain clear title to all the property needed for the center. These property issues arose even though the Office of State Engineer had notified SCSU in its project comments as early as September 2004 that SCSU needed to show proof of ownership of all property.

SCSU did not adequately examine all options for addressing campus-wide water pressure issues.

A consulting firm hired in 2008 recommended the construction of a \$3.4 million water tower. However, unknown to SCSU, the firm had a contractual relationship with the Orangeburg Department of Public Utilities. An SCSU official stated that he felt this biased the firm towards recommending a water tower and SCSU would not have contracted with this firm had it known of the relationship with the city. When SCSU could not identify a source of funding for the water tower, a second consulting firm was hired in 2009. This firm determined that the water pressure issue could be corrected by connecting to existing water lines near campus at a cost of less than \$500,000.

SCSU was unable to complete a project implementation plan for the center.

Due to delays in construction of the center, the FHWA recommended in 2007 that a project implementation plan (PIP) be developed by SCSU to assist it in better managing the project. SCSU completed a draft PIP in December 2008, but it was never approved by FHWA. It was then decided that the construction management advisor (CMA) for the project would develop the project implementation plan. The CMA's completed plan was approved by FHWA in September 2010, almost three years after the original recommendation to create a plan.

SCSU did not complete a traffic study of the site in a timely manner.

As part of the requirements for constructing the JECUTC, the S.C. Department of Transportation required SCSU to complete a traffic study. This study should have been included when SCSU developed its master plan in 2002. However, in order to limit costs, SCSU decided not to include a traffic study in its master plan. This necessitated the completion of a study during the construction of the JECUTC.

Disadvantaged business enterprise (DBE) requirements have resulted in increased costs.

Costs for construction of the JECUTC have increased over \$1 million because companies that had low bids were deemed non-responsive for failure to meet DBE requirements. In one case, the 15 lowest bids were deemed non-responsive, resulting in the 16th bid being selected. In addition, there was at least a four-month delay in construction due to bid protests over the DBE requirements.

SCSU did not perform adequate quality control review of construction documents.

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

Delays in hiring a construction management advisor (CMA) delayed the construction of the center.

In December 2007, the FHWA and OSE recommended hiring a construction management advisor for the JECUTC. A CMA was needed to provide the expertise and full-time oversight needed to manage a project of this size, improve the quality of contract documents, and maintain the project schedule. SCSU advertised for a CMA three separate times in 2008 — first in June, then September, and finally in November 2008. SCSU did not begin negotiations with the CMA until April 2009 and the CMA did not begin work until June 2009. Thus, it took approximately 18 months to hire a CMA for the JECUTC.

LOSS OF TIER I DESIGNATION

In 1987 federal legislation created the University Transportation Center (UTC) program. The program was established to expand research and education with the goal of improving and strengthening the national transportation system. In 1998, the program was expanded and SCSU was designated by legislation as a UTC. SCSU was awarded over \$5.8 million in federal funds as a result of being a Tier I UTC. In 2005, Congress passed legislation re-authorizing and expanding the program. The legislation also mandated that Tier I centers be competitively selected. In 2006, SCSU applied to keep its designation but was not selected. No official reason was given, however, documents indicate that federal officials were not pleased with SCSU's performance. A March 19, 2009, letter from a Congressman to the University President stated:

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

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

IMPACT OF LOSS OF DESIGNATION

Federal funds have been used to support various programs at SCSU, including the Master of Science in Transportation (MST) degree program. The funds were used to pay salaries and fringe benefits for three faculty positions associated with the MST program. In addition, funds were used to pay for graduate fellowships and student assistantships, faculty research, outreach efforts, and library and computer resources. In addition, the salary and fringe benefits of 12 full-time staff positions in the UTC were paid with these funds and SCSU also received indirect cost funds from the grant.

Because SCSU had not expended all the federal funds received as part of the original 1998 grant, the impact of the loss of the designation was not felt immediately. SCSU was granted extensions to use the remaining funds until December 31, 2009. Once the extensions expired, SCSU took steps to address the loss of funds. The salary and fringe benefits of the faculty members for the MST program were transferred to another grant. Faculty research projects, library and computer resources, and indirect costs associated with the UTC were no longer funded. Outreach efforts, including SCSU's First Vex Robotics and Science and Technology Day did not take place in 2010. SCSU used 1890 Extension funds for the 2011 Robotics program. The full-time UTC staff was initially transferred to other grants for a period of up to seven months. Eventually five of the full-time staff positions had to be eliminated due to lack of funds.

STATE MATCH AND NON-COMPLIANCE WITH GRANT REQUIREMENTS

We found that SCSU had not provided all of the state matching funds required by the grant. SCSU has expended approximately \$5.7 million in federal grant funds. However, SCSU and federal documents show that SCSU has provided between \$4 million and \$5.4 million in state matching funds, leaving a shortfall of up to \$1.7 million. Since the grant ended on December 31, 2009, SCSU may have to reimburse the federal government for this shortfall.

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

Change in Center Director

SCSU was required to seek prior written approval from the U.S. Department of Transportation (USDOT) for any temporary or permanent change in director. The center changed directors four times between 2005 and 2009 when the grant ended. SCSU was unable to locate letters submitted to, or the approval from, USDOT for the change in directors.

Approval of Equipment Purchases

SCSU was required to seek prior approval for the purchase of any equipment with a unit cost over \$5,000. We identified two equipment purchases made by SCSU that exceeded \$5,000 and requested copies of prior USDOT approval from SCSU. SCSU responded that it did not obtain prior approval.

Reporting Requirements

SCSU is required to publish the transportation research that it conducts in various places, including its own website, the Transportation Research Information System (TRIS), and the National Transportation Library. We found that SCSU had not complied with these reporting requirements. We selected a non-statistical sample of nine reports listed in the JECUTC annual report, but did not find any of the final reports on SCSU's website. We also did not find any of the nine reports listed in TRIS.

GRANT EXPENDITURES

SCSU has been awarded a number of federal grants to fund various transportation-related programs and research. Based on information provided by SCSU management, we estimate that \$30 million in state and federal program funds have been administered by the center since 1998. This does not include the approximately \$27 million in federal and state matching funds that will be used to construct the JECUTC. We reviewed a sample of expenditures from 2007 through 2009 and found questionable expenditures. We also found instances where SCSU had charged expenditures to the RITA grant that should have been charged to other grants. We also identified several questionable travel expenditures and provided this information to the appropriate enforcement agencies to review.

In reviewing travel expenditures, we found questionable expenditures for lodging, meals, and mileage. For example, we found instances where employees received reimbursement for meals when attending conferences where meals were being provided by the conference and their cost was included in the registration fee. We also found instances of questionable mileage reimbursements. SCSU employees also have exceeded General Services Administration (GSA) limits for lodging. Examples include:

Lodging

Two SCSU staff attended a national transportation organization board meeting in Washington, D.C. in September 2007 for two days. The GSA lodging limit was \$195. One employee's room rate was \$189 per night, while a second employee attending the same meeting, but staying at a different hotel, had a rate of \$426 per night.

Meals

We found seven instances where employees attended conferences which included specific meals in the registration fee. These employees also claimed reimbursement for these meals. SCSU's procedure is not to reimburse employees for meals that are included in registration fees.

Mileage

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

Travel Charged in Error

An SCSU employee attended a congressional conference meeting in Washington, D.C. in September 2007 and charged \$896.47 to the grant. After our inquiry, SCSU responded that the charges should have been posted to a different grant.

Questionable Expenditures

An employee attended a meeting for which he submitted a reimbursement request that included a receipt for four nights of lodging. However, we contacted the hotel for confirmation and found that the employee only stayed one night. The receipt provided to us by the hotel did not match the receipt filed with the employee's travel voucher, resulting in a questionable reimbursement of \$476.21.

SCSU staff reviewing these payments should be authorized to disallow reimbursements for expenditures which do not comply with state travel policy, agency policy, or federal grant requirements.

DUAL EMPLOYMENT

We reviewed dual employment (which consists of current University employees being paid extra to perform additional work) paid from RITA funds from 2007 through 2009. We found SCSU employees whose full-time salaries were paid using RITA funds also received dual employment compensation paid for using RITA funds. In addition, we found instances of employees being paid an hourly rate for their dual employment which exceeded their normal rates of pay. For example, a professor who works in the transportation center, and whose full-time salary was paid with RITA funds at an hourly rate of \$36, received a dual employment assignment as a principal investigator on three different JECUTC research projects and was paid at an hourly rate of \$50 for all three projects.

We also found examples of other SCSU employees performing dual employment assignments paid for using RITA funds at hourly rates above their base salaries. For example, an SCSU employee was hired as an administrative specialist on a center project at \$31 per hour. The person's base rate was \$15 per hour.

SCSU policy requires that dual employment be for work over and above the work of the employee's primary position. Federal regulations limit compensation from federal grant funds to the employee's base rate of pay.

GRANT RECEIVABLES

A June 2010 review by an outside consulting firm found that SCSU had outstanding grant receivables of approximately \$900,000 for grants related to the transportation center. The receivables are four to five years old. SCSU has expended approximately \$900,000 related to these grants for which it has not been reimbursed. According to SCSU and FHWA, these receivables are still collectable and SCSU submitted the project closeout reports to FHWA in September 2010. An ad-hoc committee has been established and tasked with resolving the deficiencies identified in the outside consultant's June 2010 report. However, as of April 2011, these receivables were still outstanding.

CONCLUSION

FOR MORE INFORMATION

Our full report, including comments from relevant agencies, is published on the Internet. Copies can also be obtained by contacting our office.

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

In addition, existing management controls have not detected duplicate billings, insufficient state matching funds, and questionable payments. As a result, the University is at risk for repaying significant amounts of federal funds which will result in fewer resources available for student services. External audits and reviews, as well as an unpublished University internal audit, have identified deficiencies that warranted immediate corrective action.

MAJOR RECOMMENDATIONS

The SCSU Board of Trustees should examine plans and funding for the James E. Clyburn University Transportation Center. The Board of Trustees should approve the University's plan to obtain funds to complete the center. In addition, the Board of Trustees should ensure that state and federal resources provided for student programs and maintenance of the University infrastructure are not redirected to constructing the center.

The President should ensure that internal control weaknesses identified in this audit and other reviews since 2006 are corrected. The Board of Trustees should incorporate into the President's annual performance evaluation measures to determine his success in correcting financial and management deficiencies identified in this report and other recent reviews.

ARCHITECT RENDITION OF ENTRANCE TO JAMES E. CLYBURN UNIVERSITY TRANSPORTATION CENTER

