

Office of the
INSPECTOR GENERAL



REPORT OF INVESTIGATION

File Number: 07-015

Agency: Department of Technical and Adult Education

Basis for Investigation: Anonymous Complaint

Allegations: Mismanagement, Improper Conduct, Waste and Abuse of Position at Savannah Technical College

Date Opened: February 27, 2007

Investigated By: Inspector General Elizabeth P. Archer
Deputy Inspector General Kisa D. Pangburn

Date of Closed: September 11, 2007

Elizabeth P. Archer, Inspector General

OFFICE OF THE INSPECTOR GENERAL



File Number: 07-015

EXECUTIVE SUMMARY

On February 23, 2007, the Office of the State Inspector General (OIG) received an anonymous complaint alleging numerous incidents of mismanagement, improper conduct, waste and abuse of position by Dr. C.B. Rathburn, President of Savannah Technical College (STC) and other employees of STC.

OIG reviewed the policies, official files, purchase orders, emails, and copies of financial documents of STC and the Department of Technical and Adult Education (DTAE). OIG also interviewed numerous STC employees, Georgia Department of Administrative Services (DOAS) employees and DTAE/STC board members.

OIG investigation revealed that state surplus procedures were violated when STC officials sold state property to a non-state entity. In addition, our investigation revealed that President Rathburn abused his position when he asked the Auto Tech Department Head to purchase parts for his personal vehicle and failed to reimburse him in a timely manner. OIG also found that President Rathburn abused his authority when he directed the Culinary Arts Department Head to cater an event “at cost” for a sitting board member and inappropriately used state monies to cover the initial cost of the event.

OIG offers the following recommendations to DTAE. We request that DTAE provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

1. STC should conduct periodic training for all staff members who may be involved in the disposal and/or redistribution of state property to ensure compliance with surplus property laws and rules.

2. The \$4,500 check which originated from the sale of Montessori supplies should be remitted to the Department of Administrative Services Surplus Property Division.
3. All individuals who serve in a supervisory or management position within the college should review the Governor's Code of Ethics, specifically the Conflict of Interests provision.
4. DTAE should conduct a system-wide review of all technical colleges to determine compliance with the requirement that each school establish a local live work policy.
5. STC should establish a local live work policy which clearly addresses the following.
 - a) Differentiates which programs are eligible to perform live work.
 - b) Establishes what type of work may be performed, eliminating the potential for liability risks.
 - c) Defines the type and scope of live work projects which may be performed for profit and those for which the college will only be reimbursed for actual costs associated with staging the event or activity.
 - d) Prioritizes those for whom live work may be performed (students, instructional faculty members, outside organizations).
 - e) Sets the parameters for when live work may be conducted (during school hours).
 - f) Reiterates that live work may not be performed by instructors alone for the benefit of others, and must in all cases, involve student participation.
 - g) Sets the procedures that must be followed when live work is conducted (scheduled in advance, incorporated into the instructional plan, forms, etc.).
 - h) Informs customers that they assume the risk of the work and waive any liability of the college.
 - i) Emphasizes that the students and facilities may not be used for personal gain or profit.
 - j) Informs customers that the purchase of parts and supplies for live work are required to be provided by the customer.
 - k) Articulates that live work projects should not be of a production nature or in competition with private enterprises.



Report of Investigation

File No. 07-015

TABLE OF CONTENTS

I.	Basis for Investigation	1
II.	Action Taken in Furtherance of Investigation	1
III.	Narrative	1
IV.	Conclusion	11
V.	Recommendations	12

Summary of Actions
Department of Technical and Adult Education
File Number: 07-015

I. BASIS FOR INVESTIGATION

On February 23, 2007, the Office of the State Inspector General (OIG) received an anonymous complaint alleging numerous incidents of mismanagement, improper conduct, waste and abuse of position by Dr. C.B. Rathburn, President of Savannah Technical College (STC) and other employees of STC.

II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION

OIG reviewed the policies, official files, purchase orders, emails, and copies of financial documents of STC and the Department of Technical and Adult Education (DTAE). OIG also interviewed numerous STC employees, Georgia Department of Administrative Services (DOAS) employees and DTAE/STC board members.

III. NARRATIVE

A. BACKGROUND

STC is a state-funded technical college located in Savannah, Georgia. STC is one of 34 technical colleges supervised by DTAE and is under the policy and administrative control of the State Board of Technical and Adult Education. STC is governed by a board of directors of 11 members nominated for their positions by area business and industry officials.

Dr. C.B. Rathburn is the current president of STC and has held his position since January 2001. Prior to serving as president of STC, Rathburn served as president of Galveston College in Galveston, Texas.

B. OIG INVESTIGATION

ALLEGATION ONE: Montessori school supplies purchased with state funds were sold to a private citizen in violation of state surplus procedures.

In 2005, the complainant learned that Montessori school supplies purchased for the STC Early Learning Center (ELC) were sold to a private individual in exchange for a \$4,500 donation to the STC Foundation Board. According to the complainant, because the items were purchased with state

funds and still had value, they should have been sent to state surplus for disposition, instead of being sold to a private individual.

OIG interviewed several individuals associated with the ELC to investigate the allegations regarding the sale of the Montessori school supplies. Specifically, OIG interviewed Leisa Rice, the director of the ELC program, Rice's supervisor, Terrie Oliver and Paula Ilami, a Montessori instructor from North Carolina. The details of the interviews are outlined below.

Leisa Rice -- Director of the Early Learning Center

According to Rice, in 2003 STC was "working towards converting" the ELC into a Montessori based program.¹ Because Rice was not familiar with the Montessori requirements, she worked closely with Paula Ilami to purchase the necessary Montessori items for the ELC. The program was to have started in the fall of 2003, but was terminated prior to this time when a new department head, Terrie Oliver, was appointed to oversee ELC. As a result, the Montessori items were placed, unopened in storage.

Rice stated that shortly after Oliver became the department head and decided not to implement the Montessori program, Oliver asked Rice to "get rid" of the items that were in storage. Rice claimed Oliver asked her to "reach out" to Paula Ilami to determine whether Ilami was interested in purchasing the items for her Montessori school. According to Rice, she called Ilami on Oliver's behalf and "brokered the deal." Rice could not recall what items she sold to Ilami, but believed it was "about one-third" of the items she had purchased. The remaining items were distributed throughout the ELC. Rice claimed that when she asked Oliver how to handle the sales transaction she was told to have Ilami write a check to the foundation. OIG determined that Rice did not record the sales transaction. The only documents of record were Ilami's check and the pledge donation form. Shortly after the sale, Rice left STC.

Terrie Oliver --Director of Instruction

Oliver stated in her interview that when she arrived at STC, she made the decision to cancel the Montessori program because she "felt that the center was not ready [for] this type of teaching method." However, she distributed many of the Montessori items throughout the ELC because the rooms were lacking needed materials. Some of the items, however, were too "specialized," such as abacuses and geometry maps, and those items remained in storage. Oliver recalled making a flippant statement at a meeting about "having a yard sale" with the remaining items. According to Oliver, shortly after making this statement, Rice informed Oliver that she had sold the remaining items to Ilami. Oliver claimed that she informed Rice that selling state property to a private individual was prohibited. Because Ilami was already in possession of the items, Rice

¹ The Montessori Method is an educational method for children, based on theories of child development originated by Italian educator Maria Montessori.

asked her if they could treat the sale as donation to the center. Oliver contacted the STC foundation director to determine if a donation could be made to the center, but did not disclose to the director what had transpired. Throughout her interview, Oliver was adamant that she did not know Ilami or participate in the sale.

Paula Ilami – Montessori Instructor

OIG interviewed Ilami about the purchase of the Montessori items. Ilami recalled that Rice informed her that STC had Montessori items available for sale. She agreed to purchase the items and negotiated a price with Rice. Throughout the negotiations, Rice never mentioned Oliver’s name or indicated that she was being directed to make the sale. Ilami recalled that the negotiated price was “outrageously low.” In fact, she asked Rice if it was “even legal” to sell the items at such a low price. According to Ilami, all the items she purchased were “new” and still in boxes. Ilami never received a sales receipt from Rice documenting their transaction.

Further Investigation

OIG confirmed with the STC foundation director that Oliver never informed her that Rice had sold the Montessori items to Ilami. She was not aware “of any sale,” until she received an email from the Dean of Business Services inquiring about matching funds. When asked about the status of the donation, she stated that the money has been earmarked for the center and has not been spent.

STC provided OIG with the purchase orders from the original Montessori purchase in 2003. Both federal and state funds were used to purchase the Montessori items.² Using the purchase orders as a reference, OIG determined that most of the Montessori supplies purchased in 2003 would have qualified as surplus personal property and should have been sent to state surplus for disposition. According to the DOAS Surplus Property Disposal Guide, there are a number of options available for the proper disposal of state surplus property, but none include the direct sale of state surplus to non-state entities.³ OIG confirmed with Steve Ekin, DOAS Surplus Property Division Director, that the items should have been disposed of through the DOAS Surplus Property Division to be transferred, sold, traded or destroyed, as required by O.C.G.A. §50-5-141. In addition, Ekin added that the \$4,500 check earmarked for the ELC should be transferred to DOAS.

Although OIG was unable to determine which Montessori items purchased with state funds were sold to Ilami and which Montessori items purchased with state funds were dispersed throughout the center, we find that state surplus

² Federal money used to purchase supplies was \$6,229.05. State money used to purchase supplies was \$8,919.50

³ State Surplus Guide

procedures were violated when STC sold the Montessori items to a non-state entity.

Based on the documents reviewed and interviews conducted, the allegation that Montessori supplies purchased with state funds were sold to a private citizen in violation of state surplus procedures is substantiated.

ALLEGATION TWO: A local furniture vendor who served on the STC Foundation Board of Trustees made a substantial donation to the college, after which the vendor began winning numerous STC furniture contracts.

According to the complainant, in 2003, a local furniture vendor (Vendor) made a substantial donation to STC and began winning a “bulk of the bids and projects,” including the newly renovated Administrative Services building. The complainant alleges that prior to making this donation, the Vendor had submitted previous bids, but had failed to win any contracts. The complainant also intimated that other furniture vendors felt that they were “being shut out” out of the bid process because the Vendor is an STC foundation board member.

STC’s foundation members work as advocates and assist with the development of public, corporate and individual partnerships necessary to cultivate private investment in the college. Our investigation confirmed that the Vendor has been an STC foundation board member since April 2003. OIG also confirmed that in October 2003, the Vendor made a \$20,000 donation to STC.

In investigating the complainant’s allegations, OIG interviewed Kevin Chieves, purchasing manager at STC. The purpose of our interview was to determine how STC handles their furniture contracts. Chieves stated that furniture selections are handled by the Dean or the Vice Presidents of each individual department. According to Chieves, the furniture is selected from a statewide contract list. Orders are processed directly to the manufacturer, who in turn selects a local vendor for delivery and installation. When asked about the furniture selection contract for the Administrative Services building, Chieves stated that the furniture was purchased through a sealed bid process handled by DOAS state purchasing. The furniture manufacturers who won the contract for the Administrative Services building project selected the Vendor as the authorized dealer and local installer.

STC provided OIG with all relevant documents pertaining to this allegation.⁴ Documents showed that STC purchased a substantial amount of furniture from various manufacturers through the statewide manufacturers’ contract list, where the Vendor was the local installer. The documents also revealed that when STC was not required to purchase items through the

⁴ These documents included, Foundation documents, STC purchasing guidelines, STC purchase orders for fiscal years 2003-2006, furniture purchase orders for the Vendor and the statewide contract list of furniture manufacturers and authorized dealers.

statewide contractors list and could solicit open bids, the Vendor, on at least four occasions during his term as a board member, was not selected because he was not the lowest bidder. We were unable to review purchase orders prior to 2003 because they had been purged from the PeopleSoft system.

OIG interviewed Sue Turner, Vice President of Administrative Services. Turner was responsible for the selection of the furniture in the Administrative Services building. Turner confirmed that the furniture was purchased through the statewide manufacturers' contract list. She also confirmed that the furniture vendors are selected by the manufacturer and not the college. When asked if the Vendor was the primary installer for STC's other campuses, Turner stated that the majority of furniture in the Crossroads campus and Goodman Hall was installed by Mason's Office Furniture, another local vendor. All faculty members interviewed were unaware of any complaints from other local vendors.

Our investigation required an analysis of whether a sitting foundation board member is prohibited from engaging in business with the school for which he serves. We referred to Attorney General Opinion No. 2004-7, which addressed issues related to Board of Regents members transacting business with the state or the University System and whether any such transactions would be impermissible conflicts of interest. While the case at hand does not deal specifically with the Board of Regents, the analysis is applicable. The Attorney General's opinion concluded that "Members of the Board of Regents of the University System of Georgia hold fiduciary positions of trust under Georgia law, and business transactions between any Regent and the University System are prohibited absent a statutory exception permitting the transaction, and then only if there is no common law conflict creating a breach of their constitutional fiduciary duty."

In this case, the foundation board member, who is a part-time public official, is not prohibited from engaging in sealed bid transactions with the school, pursuant to a statutory exception, O.C.G.A. §45-10-24(b)(1).

45-10-24.

(a)(1) Except as provided in subsection (b) of this Code section, it shall be unlawful for any part-time public official who has state-wide powers, for himself or on behalf of any business, or for any business in which such public official or member of his family has a substantial interest to transact any business with any agency.

(b) The provisions of subsection (a) of this Code section shall not apply to:

(1) Any transaction made pursuant to sealed competitive bids.

In addition, OIG could find no DTAE policy or STC policy directly restricting a foundation board member from conducting business with the school

for which he serves. Although no policy exists, all parties should be mindful of the perception of a conflict of interest in such situations.

Because furniture contracts are awarded to manufacturers, and not directly to vendors, OIG could find no evidence sufficient to confirm the allegation that STC officials were engaged in contract steering or gave preferential treatment to the Vendor because of his position as a foundation board member.

Based on the documents reviewed and interviews conducted, we find the allegation that a local furniture vendor who serves on the STC foundation board of directors began winning a bulk of STC’s contracts based on his making a donation to the college to be unsubstantiated.

ALLEGATION THREE: President Rathburn abused his authority by 1) having his vehicles repaired in the STC Automotive Technology department; and 2) having the department head purchase parts for his vehicles and failing to reimburse him in a timely manner.

The STC Automotive Technology Program (Auto Tech) provides students with basic training in automotive mechanics. Students work on donated vehicles⁵ that need repairs, which fall within the student’s current curriculum. Students do not work for profit because they cannot warranty or guarantee their work due to liability risks. In addition, students may take months or even years to complete a project. Ben Rodriguez is the department head of Auto Tech at STC. Prior to working at STC, he owned Central Automotive Services.

Over the course of six years, Rathburn had three of his personal vehicles repaired by Rodriguez and his Auto Tech students. Rathburn provided the parts for the repairs and the students and/or Rodriguez provided the labor. All repairs were done in line with the curriculum. The value of the work performed by the students and/or Rodriguez varied between \$80 to \$1000 dollars. (See chart below).⁶

VEHICLE	WORK PERFORMED	TIME FOR REPAIR	ESTIMATE FOR COST OF LABOR
Ford Explorer	Piston Change	2004-2006 (1 1/2 years total)	\$500-\$600
	Engine Replacement		\$500-\$600
	Auto body Painted		\$400-\$1000
Camaro	Piston Change	2005 (8 months)	\$700
BMW	Fuel Pump Replacement	2007	\$80

⁵ Donated vehicles remain at the college indefinitely.

⁶ Estimates provided by Ben Rodriguez and John Clark, Department Head of the Auto Collision Repair Department

Our investigation showed that Rodriguez personally performed repairs on at least one of Rathburn's vehicles. "If this is your trade and you don't fix your boss' car right—what does that say for you?" when asked why he repaired the vehicle himself. Because his students had a "limited" amount of skill Rodriguez felt that he had to perform the repairs himself "to get it done right." However, Rathburn would sometimes assist Rodriguez with the repairs on the vehicle. Although Rathburn never imposed a time frame, Rodriguez came in by choice on a few Fridays, his day off, to repair the vehicle because it was taking up space needed for other projects. On those occasions, he did not request or receive compensatory time.

According to Rodriguez, Rathburn never pressured him to complete any of his repairs. However, Rodriguez felt personal pressure to get the "job done right" since the vehicles were owned by the president. When asked if he ever complained to the president about working on his vehicles, Rodriguez stated, "You don't say no to your boss."

On four or five separate occasions, Rodriguez purchased parts for the repairs of Rathburn's vehicles. He would charge the parts to his personal National Automotive Parts Association (NAPA) account. Rathburn always reimbursed Rodriguez for the purchases by either giving him his credit card to settle up the charges or by writing him a check. When asked if Rathburn was ever late in repaying him, Rodriguez stated that on three occasions, he had to remind Rathburn to pay the bill. The longest period between purchase and repayment was a month. Rodriguez characterized asking Rathburn for repayment as awkward. However, Rodriguez was adamant that there was never an instance where Rathburn did not repay him.

OIG interviewed Joseph Franklin, Dean of Occupational and Technical Programs at STC. Franklin's duties include supervising the Auto Tech and Auto Repair programs. Franklin recalled that Rodriguez had expressed concern about repairing one of Rathburn's vehicles. When asked why, Franklin stated that the vehicle was supposed to have been a student project, but had been in the shop for an extended period of time and was taking up space needed for other projects. As a result, Rodriguez came in on his days off to handle the repairs himself in order to get the vehicle out of the shop. When asked if he ever had his vehicle serviced by Auto Tech, Franklin stated that since he is Rodriguez's direct supervisor, he takes his car to a local private mechanic.

Because Rodriguez appeared "overwhelmed" about the situation, Franklin spoke to his director, Executive Vice President Reginald Hendricks (Hendricks) about discouraging Rathburn from having his personal vehicles serviced in the automotive department. Hendricks advised him to tell Rodriguez to quit doing the work or file a complaint. When interviewed, Hendricks admitted that he did not speak to Rathburn about Rodriguez's concerns.

OIG interviewed Rathburn, who admitted that he had three of his personal vehicles repaired in the Auto Tech Department. He stated that he allowed the students to work on his vehicles as “class projects.” According to Rathburn, the “practice is common across DTAE.” In addition, he felt that providing his vehicles as class projects was “a way to be attached to [his] students.” He also believes that it gives the students the indication that they “really are part of the program.”

Rathburn confirmed that the automotive program does not accept projects for pay. According to Rathburn, accepting payment would create an expectation of warranty. In addition, he stated that the customer would expect the work to be done in a timely manner, which would be difficult because the students can only work on the vehicles if the curriculum permits. However, according to Rathburn, the automotive program does accept work as class projects when the owner assumes no warranty and provides all the parts, as in his case.

When questioned, Rathburn admitted that on occasion Rodriguez would purchase parts for him, but he would always reimburse him. When asked if he was ever late in repaying him, Rathburn stated “maybe a week or two” depending on when he would see Rodriguez. In those instances, he would write Rodriguez a check or give him his credit card number to pay NAPA.

When asked if he thought having his personal vehicles repaired by one his subordinates was appropriate, Rathburn stated that “philosophically” he views faculty staff as his peers and colleagues.

Currently, DTAE’s Live Work Policy⁷ does not prohibit the president or other faculty members from having their vehicles repaired in the automotive department. In addition, STC does not have a local live work policy, even though DTAE’s Live Work policy states that “appropriate procedures for the implementation of the policy shall be developed by each Technical College.”

Based on existing DTAE policy, Rathburn did not abuse his authority by having his personal vehicles repaired in the Auto Tech Department. However, although there is no policy, OIG would strongly suggest that President Rathburn be mindful of the undue pressure placed on subordinates when projects are initiated on his behalf. OIG does find that Rathburn abused his authority when he asked Rodriguez to purchase parts for his vehicles and was late in reimbursing him.

Based on the documents reviewed and interviews conducted we find the allegation that President Rathburn abused his authority by 1) having his vehicles repaired in the STC Auto Tech department; and 2) having the department head purchase parts for his vehicles and failing to reimburse him in a timely manner is substantiated in part.

⁷ DTAE IV.M. Instructional Live Work Projects

ALLEGATION FOUR: President Rathburn asked Ben Rodriguez to consider having the Auto Tech Program perform automotive work for a local security firm, owned by the STC Foundation Director.

In December 2006, Rathburn sent the following email to Rodriguez and Dean Franklin regarding a potential work opportunity for STC's automotive department.

"I have a company in town that is interested in working with us regarding the possibility of rebuilding entire power trains for an armored car service. This might create an excellent live work opportunity for our students and could possibly be done after regular class time. I would be interested in speaking with you about this option. Thank you."

Our investigation confirmed that the company referenced in the email was owned by the Chair of the STC Board of Directors.

At Rathburn's request, Rodriguez met with the board member at his place of business to determine the viability of the project. Because Auto Tech was not equipped to handle the weight of the vehicles, Rodriguez informed Rathburn that the project was not feasible. When asked how Rathburn responded, Rodriguez stated that he "was fine with it." However, Rathburn requested that Rodriguez attend a meeting with the board member to inform him why the Auto Tech department could not perform the work.

When asked if he thought the project request was appropriate, Rodriguez stated that his department was "in the business of instruction, not production." In addition, he felt that it could be a liability for the school, because he could not warranty his students' work. Furthermore, the vehicles were not being donated to Auto Tech, but were part of an active fleet.

OIG interviewed the board member regarding the circumstances of his request. He stated that he approached Rathburn about partnering with the automotive department to repair the engines on his fleet of armored cars as a way to generate revenue for the school. It was his intent to pay the students to replace the engines. When asked why he thought the students could repair his vehicles, he stated "STC is the number one auto tech school in the southeast." He stated that if his proposal had been accepted, he was aware that the students' work would not have been warranted or guaranteed. However, his proposal never came to fruition because the Auto Tech department lacked the capability to lift the heavy vehicles.

During his interview, Rathburn confirmed that the board member approached him about "having a partnership" with the Auto Tech Department to repair his vehicles in order to generate revenue for the college. Rathburn investigated the request because he felt that it would give the Auto Tech students an "opportunity to rebuild engines." When asked if he thought it was appropriate to have the Auto Tech Department perform repairs for a sitting board member,

Rathburn replied, “I viewed it as assisting someone in the community.” In addition, he stated that this proposal “[was] the only way a limited live work effort could be considered” that would generate funding for the automotive program. We pointed out that Auto Tech did not offer a class in armored car repairs to which Rathburn responded, “The power train in an armored car is the same engine structure as a Ford F350 [which] is the same type the class would use in engine rebuilding.”

Overall, we found that Rathburn’s proposal did not violate DTAE’s Live Work policy, only because it did not come to fruition. However, we found that his email showed poor judgment and created a perception that he was attempting to curry favor with a sitting board member. In addition, using college students and/or staff to work for an enterprise in which a board member has a financial interest could be viewed as a potential conflict of interest. His explanation that this would be the only way for the automotive department to generate revenue is inconsistent with his previous statement that the Auto Tech Program does not accept projects for pay.

Based on the documents reviewed and interviews conducted we find that President Rathburn did ask Ben Rodriguez to consider having the Auto Tech Program perform automotive work for a local security firm, owned by the STC Foundation Director. However, we find no wrongdoing only because the project did not come to fruition.

ALLEGATION FIVE: President Rathburn directed the head of the Culinary Arts Department to cater a political event “at cost,” contrary to DTAE’s Live Work Policy.

Marvis Hinson is the department head for the Culinary Arts Program at STC. She has held this position for 28 years. As a way of generating additional funds for her program, Hinson and her students provide catering services for various events and organizations. These events are usually held on campus during normal business hours. The work is performed for the cost of the food plus profit.⁸ The “live work” funds generated from these catered events are kept separate from the general supply budget. According to DTAE/STC officials, live work funds are considered state money.⁹ Hinson uses the live work funds to buy equipment and to cover miscellaneous funds not provided for in her general supply budget.

In order to investigate the complainant’s allegation, OIG interviewed Hinson. Hinson stated that in the summer 2006, President Rathburn called her regarding catering an event at the home of a DTAE board member. Rathburn asked Hinson to cater the event “at cost.” Although that was not her policy,

⁸ DTAE’s Instructional Live Work Policy Subsection 1 states: “Technical Colleges must normally be reimbursed for all direct costs associated with the delivery of Instructional Live Work projects. The Technical College may generate a reasonable profit.”

⁹ Per Audrey Monroe, STC Accounting Director and Sue Turner, Vice President of Administrative Services

Hinson accepted the request because it came from the president. Rathburn never informed her why he wanted the event done at cost. When asked if she had ever catered an event at cost before, Hinson stated, "Not only was this the first time I had to cater an event at cost, it was also the first time I had to cater an event off campus." She stated that the only events she caters at cost are for non-profit organizations such as the March of Dimes and the Arthritis Foundation.

Hinson purchased all the food for the board member's event using her live work funds. She stated that the at cost amount totaled \$616.91. When asked how much she would have charged for the event, Hinson stated that, based on the food and the number of people at the event, she would have charged "somewhere between \$2,000 and \$3,000." When Hinson delivered the food on the day of the event, the board member asked Hinson "at least twice" for an invoice. Hinson informed her that since the president had requested the services, the invoice would be sent to him. At the end of the month, Hinson sent the invoice to Rathburn.

OIG interviewed the board member regarding the catered event. According to the board member, she hosted a fundraiser for the Republican Party at the DeSoto Hotel in 2006. Rathburn and his wife attended the fundraiser as her guests. The fundraiser included a silent auction. One of the items being auctioned at the event was a cocktail party at her home. However, the auctioneer mistakenly selected the wrong bidder. As a result, the board member decided to donate another cocktail party for the person who mistakenly lost the bid. Rathburn offered the catering services of the STC culinary department for her second party.

The board member stated that she asked Hinson "at least twice" for an invoice while she was at her home. Hinson informed her that the invoice was being sent to Rathburn. Shortly after her party, the board member asked Rathburn about the invoice, but was told "not to worry about paying." The board member assumed that since she had purchased Rathburn's ticket to the fundraiser, he had paid for the catering or that this was a learning experience for the students. She was shocked when Rathburn called her almost a year later and asked her pay the bill. She stated that she immediately went to the college and paid the invoice in person.

At our request, STC provided us with all relevant documents pertaining to Hinson's catered event. The documents confirmed that Hinson submitted an invoice dated June 20, 2006, to the president's office requesting remittance of \$616.91. Upon further review, we learned that the invoice was paid from the STC Activity Fund.

The STC Activity Fund provides for the cost of meetings, seminars, and conferences held at STC. The money is comprised of local donations, foundation donations and registration fees associated with the aforementioned events. Allowable expenditures include refreshments for meetings, meals for advisory groups, recognition awards for faculty, staff, students or businesses,

and promotion of special events such as open house and adult literacy week. Expenditures are requested through the use of an STC Activity Fund form and are submitted to the STC activity custodian. Expenditures are tracked through PeopleSoft and are signed by the Vice President of Administration. According to the STC accounting director, the funds are considered state money and are audited by the Georgia Department of Audits and Accounts on an annual basis.

OIG interviewed Sue Turner, Vice President of Administrative Services. The purpose of our interview was to determine why the board member's event was paid for by the STC Activity Fund. Turner confirmed that the accounting office received a memo from Hinson to bill for the event. However, Hinson listed Rathburn, not the board member as the requestor. In addition, Hinson listed the board member's name in the body of the invoice with the comment "food service." As a result, the invoice was sent to Rathburn's office.

Turner believes that when the accounting department received the invoice from Rathburn's office requesting payment and saw the board member's name along with "food service," they "must have assumed" it was for a foundation meeting, which would have been an allowable expenditure. However, when she pulled the invoice and realized that it had been sent to the president's office and not to the board member, it raised a "red flag." When she asked Rathburn about the reimbursement, he informed her that he would "handle it." Shortly afterwards, the accounting department received a check from the board member in the amount of \$616.91. When we asked Turner if she was aware that Hinson was asked to do the event at cost, she appeared surprised. She stated, "That's not right, Chef Hinson's department is supposed to make a profit." Turner could not recall any other event that Hinson had performed at cost.

We interviewed Audrey Monroe, STC's Director of Accounting. We asked Monroe to provide us with a general overview of the STC Activity Fund. According to Monroe, the foundation donates money to the President for public relations type activities. Although the funds are not considered "true" state funds, they are "looked at" as state funds from an audit standpoint. The funds are audited by the accounting office and are monitored by the accounting manager. In addition, Monroe has been told by state auditors that once money is received, whether locally or from a third party, it is considered state money.

Monroe informed us that in order to use the STC Activity Fund, an STC Activity Fund form must be completed by a third party authorizing the use of the fund. However, the accounting department could not locate an STC Activity Fund form authorizing the expenditure in question. Monroe added that the STC Activity Fund cannot be used for political organizations and/or functions.

We asked Monroe if she was familiar with this particular STC Activity Fund reimbursement involving the Culinary Arts department. Monroe stated that she was on sick leave when the reimbursement took place. However, she was familiar with the situation as a result of the investigation. She stated that when Hinson caters an event she generates an invoice and sends it the accounting

office. In this case, Hinson sent the invoice for \$616.91 to the Office of the President. She confirmed that Hinson's live work account was reimbursed from the STC Activity Fund.

When asked how the reimbursement occurred without raising a red flag, Monroe stated that the reimbursement was not questionable because the only description on the invoice was "board member-food services." Therefore, she assumed that someone in accounting "probably thought" it was a DTAE event, which would have been an allowable expenditure. Monroe stated that even though the amount was not enough to raise a red flag, the STC Activity Fund should not have been used to reimburse Hinson's live work account.

OIG interviewed Rathburn about the catering event. Rathburn stated that STC was "requested" by the board member to provide catering services for a party that she was hosting at her home. According to Rathburn, the board member in turn donated this party to be auctioned off at a fundraiser. He stated that services were billed by the culinary department and were paid from the STC Activity Fund, which he referred to as "non-state money." However, he did view live work funds as state money.

Rathburn admitted that he asked Hinson to do the event "as close to at cost as possible." When asked why, he responded that "if anyone from a non-profit entity came to STC to handle a function, I would consider it a donation effort that doesn't cost the college or state any money." In addition, he stated that he wanted to be as supportive as he could to donations and fundraisers. He did not view his actions as supporting any political party or event, because the donation was not made to the board member directly.

When asked why he requested reimbursement from the board member a year after the event, Rathburn responded that he was not aware that the bill was outstanding. "I never saw an invoice," he stated. According to Rathburn, he was not made aware of the outstanding bill until the allegations surfaced. As a result, he contacted the board member regarding her outstanding bill who immediately wrote a check to STC.

Rathburn initially denied that Hinson's live work account was reimbursed with money from the STC Activity Fund. However, later in his interview, he opined that it was the accounting department who paid the invoice out of the STC Activity Fund because "it could not be paid with state money and the STC Activity Fund is not state money." When asked how he knew to reimburse the STC Activity Fund, he responded that he "found out" after the allegations surfaced.

Based on the documents reviewed and interviews conducted, we find the allegation that President Rathburn directed the head of the Culinary Arts Department to cater a political event "at cost" contrary to DTAE's Live Work Policy is substantiated. In addition, we find that state funds were inappropriately used to cover the initial cost of the catering services.

ALLEGATION SIX: President Rathburn insisted on a design change during the remodeling of the Administrative and Student Services building which cost the state an additional \$480,000.

According to the complainant, during the remodeling of the Administrative Building, Rathburn decided to redesign the main entrance by adding a “huge wall,” even though the original plans approved by DTAE did not call for one. Rathburn’s design allegedly added \$480,000 to the total project costs. The complainant claims that when the wall was inspected it was deemed to be “faulty” and additional operational monies had to be spent in order to repair it.

To investigate this allegation, OIG interviewed Vice President Hendricks. He informed OIG that the wall in question was “always a part of the design for the renovation of the Administrative Building.” In fact, it was part of the original bid package. Hendricks confirmed that there were construction issues after the wall was built. However, it was because the contractor was unable to construct the wall as designed by the architect. As a result, additional funds were spent to “re-engineer” the wall in order to stabilize it. He denied that STC used operational dollars as alleged by the complainant.

Hendricks stated the complainant’s allegation that the construction of the wall added \$480,000 to the total project cost was simply inaccurate. According to Hendricks, the matter has not been resolved and is currently in arbitration with the builder. This was confirmed by other DTAE officials as well. Throughout his interview, Hendricks was adamant that it was senior management, not Rathburn alone, who accepted the design change. When interviewed, Sue Turner, Vice President of Administration, also confirmed that operational funds were not used to pay for the additional repairs needed to stabilize the wall. She stated that Rathburn had no “say so” in the design of the wall.

Based on the documents reviewed and interviews conducted, we find the allegation that President Rathburn insisted on a design change during the remodeling of the Administrative and Student Services building which cost the state an additional \$480,000 to be unsubstantiated.

IV. CONCLUSION

As discussed above, OIG’s investigation of STC addressed several separate issues. Three of the allegations regarding STC were unfounded. The remaining allegations varied in their degree of severity and breach of public trust. With regard to the sale of the Montessori supplies, OIG found that the sale violated state law regarding the disposition of surplus personal property. OIG does not find, however, that the sale was the result of fraud or intentional malfeasance. Rather, the sale appears to have been an isolated incident and the result of a lack of understanding of state law. Nevertheless, STC should improve internal controls regarding the disposition of surplus personal property.

The troubling allegations relate to President Rathburn. The OIG finds that Rathburn abused his authority when he asked Rodriguez to purchase parts for his personal vehicle and failed to reimburse him in a timely manner. The president should be mindful of the perception that he creates when asking faculty to perform personal favors, especially where there is no benefit to the students. As STC president, Rathburn should have known that his subordinates would feel pressured to service his vehicles even if doing so failed to directly fulfill the mission of the college, given that he controls faculty contracts.

Similar to the inappropriate influence on the auto mechanics department, requesting the culinary department head to cater an event for a sitting board member at cost is an abuse of his position. Although there is no policy prohibiting such action, Rathburn should have recognized that his request was inappropriate. The culinary department does not perform events at cost. It is expected to generate a profit. OIG finds his response that he would do the same for any non-profit organization disingenuous. In addition, the fact that state money was initially used to pay for the services, only adds to inappropriateness of the situation. It does not escape our attention, that during the pendency of this investigation, Rathburn had the board member pay the invoice a year after the event. This last minute action reveals that, despite his attempted rationalization in his interviews with OIG, Rathburn understood that his actions were inappropriate.

VI. RECOMMENDATIONS

OIG offers the following recommendations to DTAE. We request that DTAE provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

1. STC should conduct periodic training for all staff members who may be involved in the disposal and/or redistribution of state property to ensure compliance with surplus property laws and rules.
2. The \$4,500 check which originated from the sale of Montessori supplies should be remitted to the Department of Administrative Services Surplus Property Division.
3. All individuals who serve in a supervisory or management position within the college should review the Governor's Code of Ethics, specifically the Conflict of Interests provision.
4. DTAE should conduct a system-wide review of all technical colleges to determine compliance with the requirement that each school establish a local live work policy.
5. STC should establish a local live work policy which clearly addresses the following:

- a) Differentiates which programs are eligible to perform live work.
- b) Establishes what type of work may be performed, eliminating the potential for liability risks.
- c) Defines the type and scope of live work projects which may be performed for profit and those for which the college will only be reimbursed for actual costs associated with staging the event or activity.
- d) Prioritizes those for whom live work may be performed (students, instructional faculty members, outside organizations).
- e) Sets the parameters for when live work may be conducted (during school hours).
- f) Reiterates that live work may not be performed by instructors alone for the benefit of others, and must in all cases, involve student participation.
- g) Sets the procedures that must be followed when live work is conducted (scheduled in advance, incorporated into the instructional plan, forms, etc.).
- h) Informs customers that they assume the risk of the work and waive any liability of the college.
- i) Emphasizes that the students and facilities may not be used for personal gain or profit.
- j) Informs customers that the purchase of parts and supplies for live work are required to be provided by the customer.
- k) Articulates that live work projects should not be of a production nature or in competition with private enterprises.