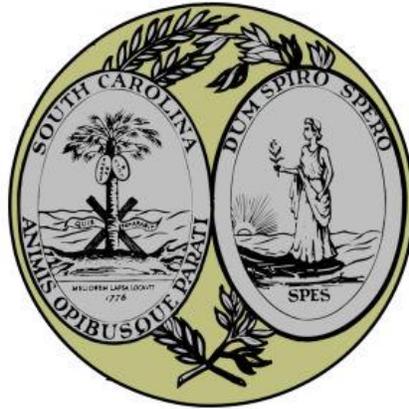


# Office of the Inspector General

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*Brian D. Lamkin*



## **Investigation of Alleged Excessive Travel & Event Expenses by the Board of Trustees, University of South Carolina and Review of Management Controls of Related Foundations**

## **I. Executive Summary**

The South Carolina Commission on Higher Education (CHE) requested the South Carolina Office of the Inspector General (SIG), via a letter dated 9/2/2016, to audit alleged excessive spending by the University of South Carolina Board of Trustees (USC-BoT). A Charleston newspaper article reported the University of South Carolina's board members spent nearly \$400,000 over the past five-year period for food, drink, lodging, and more than \$100,000 on football game travel, which was referenced as excessive spending at the state's largest public university.

In its letter, the CHE, which has an oversight role for the state's 33 public institutions of higher learning, commented, "In an environment of skyrocketing costs and runaway spending in higher education, the timing of this news article could not be worse. CHE's responsibility is to protect the students, families, and taxpayers of South Carolina. In order to properly address this situation, the first step is to be proactive in trying to find the facts."

The SIG accepted CHE's request to initiate an audit of the USC-BoT's expenses in response to the allegations and inferences of excessive spending of the USC-BoT raised in the media article. In addition, the SIG also reviewed the university's management controls/policies with affiliated non-profits (i.e., foundations) to understand the level of use of affiliated non-profit funds in relation to the mission and priority programs of USC.

Analyzing USC-BoT's travel policy started with an annual legislative proviso exception for institutions of higher learning (IHL) that required travel be paid without using appropriated General Funds. The university adhered to this proviso exception and paid these expenses with other university-generated revenue sources.

A review of the five fiscal years, FY2011-12 through FY2015-16 determined the USC-BoT incurred \$330,799 in travel and event (T&E) expenses, an average of \$66,160 annually. The SIG selected FY2015-16, as an audit sample. The total T&E expenses for that period were \$68,713, for which \$58,685 (85%) were traced to expenses related to physical board meetings, which occurred, eight times during the year; an annual planning retreat; numerous committee meetings and Board of Visitors (BOV) meetings; and fifteen graduation commencements. The T&E costs were categorized as follows: meals/snacks (\$16,929); lodging (\$9,219); mileage/travel per diem (\$18,501); daily statutory (\$35/day) honorariums (\$9,415); rentals (\$690); contractual services (\$3,931); and miscellaneous items (\$10,028).

The USC-BoT is statutorily required to meet at least quarterly each year. These board meeting costs included expenses for the 20 USC-BoT, as well as trustees emeriti, members of the USC president's executive council, USC system chancellors, academic deans and faculty, student leadership, the BOV, board office staff, news media, and invited guests, among others.

Other related T&E expenses included athletic/fundraising events for the USC-BoT and trustees emeriti for the five years totaling \$520,277, an average of \$104,055 annually. These events provided the trustees with the opportunity to engage donors, supporters, state officials and business leaders in the advancement of the university's mission. When attending these events, the trustee is considered to be appearing in an official capacity. For FY2015-16, these expenses totaled \$124,487. These expenses were paid entirely by the USC Athletic Department using department funds [non-state appropriated funds].

This review found the USC-BoT appeared to have the legal authority to establish its T&E policies, and found no evidence of intentional abuse or wrongdoing. However, the university should consider several relevant factors:

- For FY2015-16, USC-BoT related costs totaled \$68,713 (board meetings; committee meetings; BOV meetings; and commencement events). The USC-BoT members were also provided airfare accommodations, ground transportation, game tickets, and access to the hospitality suite for development (fundraising) for athletic events, totaling \$117,091, and USC-BoT trustees emeriti were provided game tickets totaling \$7,396, that were paid entirely by the USC Athletic Department.
- The USC-BoT policy includes reimbursements for travel related expenses, such as mileage, travel meals, and a \$35 daily per diem (honorarium) provided by state law as regular expenses of board meetings. In its efforts to minimize costs, USC-BoT's T&E lodging and catering expenses were paid directly to the vendor with no lodging or meal reimbursements paid directly to the trustees.
- The USC-BoT current T&E policies' benefits showed appreciation to its members who volunteered their time without compensation, as well as made substantial donations totaling over \$11.4 million in lifetime giving. Further, several USC-BoT served on a number of foundation boards, also without compensation, while similar state "Authority" boards received salaried compensation.
- Creating the mere perception of wasteful spending or abuse, real or perceived, damages the trust and confidence of the university stakeholders, to include students' families, donors, and taxpayers.

We commend USC for the level of integrity and heightened management controls in relation to its affiliated non-profits, which provide a reasonable comfort level that its non-profit funds were budgeted, monitored and distributed toward student aid, and the university's priority mission programs in accordance with its established policy and guidelines. The activities and resources of these entities are significant, provide a direct benefit, and are accessible to the university. They are considered component units of the university and are discretely presented in USC's financial statements accordingly as governmental or non-governmental reporting entities. For FY2015-16, overall contributions from these entities totaled \$42,915,897. ([The University FY2016 CAFR](#)) We commend USC for its' efforts to develop avenues outside of the university to raise funds to assist in furtherance of its mission.

The university's sensitivity to USC-BoT's travel expenses appears to have given considerable efforts to minimize costs in accordance with its normal expense policy, with no funds being derived from its' affiliated non-profits. An analysis of the USC-BoT current T&E policy benefits would deem them as reasonable, however its' use of athletic funds would be considered conservatively "generous"; which comes at an opportunity cost of using these funds for higher priority university needs. As a result, USC, a state agency, and the USC-BoT, public servants, should consider moderating its T&E spending relative to its use of athletic funds, where these funds can be redirected to its core mission.

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**ADMINISTRATIVE:** The university's comments on the report have been appended to this report.

## **II. Background**

### **A. Predicate**

The South Carolina Commission on Higher Education (CHE) requested the South Carolina Office of the State Inspector General (SIG), via a letter dated 9/2/2016, to audit alleged excessive spending by the University of South Carolina Board of Trustees (USC-BoT) (*see Appendix A*). The allegation originated from a newspaper article (8/25/2016) published by The Post and Courier newspaper, Charleston, South Carolina (*see Appendix B*).

The newspaper article alleged the USC-BoT spent nearly \$400,000 over a five-year period (FYs 2012-2016) for food, drink, lodging, and more than \$100,000 on football game travel which was referenced as excessive spending at the state's largest public university.

In its letter, the CHE, which provides an oversight role to the state's 33 public institutions of higher learning (IHL), commented, "In an environment of skyrocketing costs and runaway spending in higher education, the timing of this news article could not be worse. CHE's responsibility is to protect the students, families, and taxpayers of South Carolina. In order to properly address this situation, the first step is to be proactive in trying to find the facts."

### **B. Scope & Objectives**

This review's scope and objectives were:

- Identify and analyze USC-BoT travel and event (T&E) expenses for a five-year audit period from FY2011-12 through FY2015-16 with emphasis on the FY2015-16;
- Determine the university's compliance with all relevant state laws, regulations, and policies applicable to USC-BoT T&E expenses;
- Analytically review the university's management controls on the general use of affiliated non-profit funds; and
- Identify opportunities to improve USC-BoT's T&E policies.

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. University of South Carolina Overview**

The University of South Carolina (USC), founded in 1801 as the South Carolina College and re-chartered in 1906 as a university, is composed of the Columbia, SC campus, including the Columbia School of Medicine, the Greenville School of Medicine, and seven university system campuses. The university is ranked 46<sup>th</sup> among all public institutions and 25<sup>th</sup> among state flagships in the latest U.S. News and World Report undergraduate rankings. A 2017 economic impact study conducted by the Division of Research, Moore School of Business determined USC had an annual \$5.5 billion economic impact on the State, to include an annual net contribution of \$3 billion and nearly \$220 million in annual tax revenue to the State's economy. Additionally, the USC athletic programs had a \$225 million annual economic impact and supported 2,787 jobs, while the university's overall activities accounted for 60,250 jobs ([USC Economic Impact 2017 Study](#)).

The USC-BoT is comprised of 20 members pursuant to the [South Carolina Code of Laws, Title 59, and Chapter 117](#). The USC-BoT is charged with the operation and management of the university. The group discharges its duties through its [bylaws](#), and [policies and procedures](#). As the governing authority of the USC system, the USC-BoT is responsible for defining the mission, role and scope of the USC system, establishing the general policies by which the USC system operates, and for delegating the day-to-day management of the USC system to the president. The USC-BoT also serves as fiduciary managers of real property for the university by acquiring, managing, and disposing of property, and authorizing the issuance of bonds and assumption of indebtedness for the construction and improvement of physical facilities.

Under the premise of providing continuity of organizational structure, a member of the USC-BoT who served twelve or more years is eligible to be named “trustee emeritus,” and is invited to attend all USC-BoT meetings (excluding any monetary compensation/reimbursement). During FY2015-16, there were 13 trustees emeriti. In addition, the USC-BoT appoints the Board of Visitors (BOV), a 31-member volunteer board to assist the USC-BoT and the president in the overall advancement of the university and its statewide system.

The university’s related foundations, while unique in their individual missions, functions, and governing boards, share a common purpose to assist the university in meeting its current and future needs. Each foundation is a separately chartered corporation, independent of the university, and their activities are governed by a board of directors. The following foundations/entities support the university: ([The University FY2016 CAFR](#))

- South Carolina Research Foundation
- USC School of Medicine Educational Trust
- Beaufort-Jasper Higher Education Commission
- USC Development Foundation
- USC Educational Foundation
- USC Business Partnership Foundation
- Greater USC Alumni Association
- USC Upstate Foundation
- USC Upstate Capital Development Foundation
- Educational Foundation of USC Lancaster

### **III. Audit of the USC Board of Trustees’ Travel & Event (T&E) Expenses**

The SIG reviewed the laws and policies governing USC-BoT T&E expenses for the five-year audit period of 7/1/2011 – 6/30/2016. Additionally, these expenses were analyzed from a number of perspectives to provide a contextual understanding of the types of T&E expenses incurred.

A review of the five fiscal years, FY2011-12 through FY2015-16, determined the USC-BoT incurred \$330,799 in T&E expenses, an average of \$66,160 for each fiscal year. The SIG selected FY2015-16 as an audit sample to evaluate the expenses related to board meetings, which occurred ten times during the year (two telephonically conducted); an annual USC-BoT retreat; committee and BOV meetings; and 15 graduation commencements, totaling \$68,713 in travel costs.

Other related T&E expenses included athletic/fundraising events for the USC-BoT and trustees emeriti for the five years totaling \$520,277, an average of \$104,055 annually. These expenses were paid entirely using USC Athletic Department funds, non-state appropriated funds (*expenses detailed in Section III. B. 2.c. of the report*).

## **A. Laws and Policies Governing USC-BoT T&E Expenses**

### **1. State Law for General Employee Travel**

During the audit period, an annual state budget proviso established provisions for general state employee travel, to include agency boards and commissions. Travel reimbursements were for actual expenses. Meals were limited to a maximum of \$25/day in state and \$32/day outside of South Carolina as indicated in [General Appropriations Act Proviso 117.20](#). Lodging was limited to the maximum lodging rate, excluding taxes, established by the U.S. General Services Administration (GSA). The GSA daily lodging rate in effect for the sampling period (FY2015-16) for Richland County, which included the USC ranged from \$94 - \$99 with an annual average of \$98 per day. In addition, the USC-BoT attended a called board meeting in March 2016, which was held in conjunction with the USC Beaufort Chancellor Investiture Ceremony in Bluffton, SC. The GSA daily lodging rate for Beaufort County in effect at that time was \$103. These per diem rates were set by the GSA (excluding taxes), and are used by federal and local governments, as well as many private-sector companies as guidelines to reimburse employees for business travel expenses incurred.

### **2. State Law Exception for Institutions of Higher Learning Travel**

The annual state budget proviso ([Proviso 117.20](#)) provided an exception (paragraph A) for the reimbursement of IHL travel expenses. This exception required travel expenses to be paid without using appropriated General Funds. The university met this requirement inasmuch as travel expenses for USC-BoT meetings were paid entirely from other USC-generated revenue sources.

### **3. USC-BoT T&E Expense Processing Procedures and Policies**

The USC-BoT executive secretary is responsible for managing the USC-BoT budget and departmental resources, and coordinating direct vendor billing for the expenses incurred, which generally pertains to lodging expenses, and food service for board meetings and the BOV meetings. Documentation of member attendance and travel reimbursement is maintained for each USC-BoT member. Vendor invoices are submitted by the USC-BoT executive secretary for payment and reviewed for compliance with the university's policies ([USC-BoT Policies and Procedures](#)) set forth below.

#### **[USC-BoT Expense Policy and Procedures BTRU 1.16](#)**

**Vehicle mileage** – USC-BoT meetings, commencements and other USC business events and meetings – travel to and from a meeting, or to and from an activity that relates or pertains to the university's business must use the current applicable university mileage rate established by the Internal Revenue Service.

**Per Diem** – USC-BoT members have the option to receive a statutory per diem rate in accordance with the annual [General Appropriations Act Proviso 117.19](#), which states, "The per diem allowance of all boards, commissions and committees shall be at the rate of \$35 per day." The per diem is intended to reimburse the trustee for incidental personal expenses incurred to include regular, special board committee and group meetings, commencements and special events conducted on all campuses of USC, and attendance at national conferences or meetings of higher education organizations in which USC is a member.

Meals and entertainment – Catered meals are provided by the university for business meals and entertainment expenses that may include spouses/guests. Meals or events that are primarily social in nature (i.e. public relations, development, etc.) and have a university related business purpose may be permitted to include commencements, alumni/donor events, appreciation events, and recruiting. USC-BoT entertainment, travel and lodging policies indicate that any expenditures in excess of its policy must be paid from private sources.

Athletic Tickets and Events – USC-BoT, in their development capacity for the university, will have occasion to attend USC athletic events or competitions, which provides each trustee the opportunity to engage donors, supporters in the advancement of the university, and to further recognize and promote, through national exposure, the university and its athletic programs.

#### [USC Personnel Expenditure Policy BTRU 1.15](#)

Lodging expenses – Overnight stay expenses incurred by a trustee attending university business events are provided to the extent the overnight stay allows the trustee to meet USC-BoT attendance expectations. Lodging costs for university personnel should not exceed \$300 per 24-hour period.

#### [USC Designated Funds Policy BTRU 1.14](#)

Designated Funds – Expenditures from university designated funds may be used for travel, food, lodging (over and above State-imposed limitations), student financial aid, and general support for faculty/staff professional activities for endeavors related to the promotion of goodwill and for the advancement of the university.

#### [USC-BoT Policy 1.06 - Audit & Advisory Services](#)

USC-BoT expenses are reviewed by the university's Audit & Advisory Services (AAS) through its quarterly review of the business expenditures for the Offices of the President and Board of Trustees. The AAS functions as an independent and objective appraiser of university activities to assist members of management, the administration, and the USC-BoT in the effective discharge of their responsibilities and promote operational effectiveness and efficiency.

### **B. Sampling and Analysis of USC-BoT T&E Expenses**

This review included a five-year audit period of FYs 2012 - 2016 (7/1/2011 – 6/30/2016). The population of USC-BoT T&E expenses identified was \$330,799 (an average of \$66,160/FY). Costs were generally travel reimbursements, lodging, and catered meals.

#### **1. Analysis of FY2015-16 USC-BoT T&E Expenses**

The USC maintained an annual reoccurring budget for USC-BoT, BOV, and commencement expenses. The USC-BoT budget was funded through other university-generated revenue sources. The SIG selected FY2015-16 as the sample period to allow comparative analysis of multiple USC-BoT meetings and provide an in-depth understanding of expenditure patterns.

For FY2015-16, the USC-BoT expense account line-item budget was \$194,153 excluding USC-BoT office salaries and fringe benefits as detailed in the following table.

### USC-BoT FY2015-16 Line-item Budget

Categories	Budget*
Board Member Per Diem	\$ 10,000
Board Member/Office Travel	\$ 30,906
Telephone/Network Services	\$ 9,204
Printing & Advertising	\$ 1,000
Contractual Services	\$ 109,884
Postage & Office/Food Supplies	\$ 27,780
Rentals & Dues	\$ 1,050
Miscellaneous Expenses	\$ 4,329
<b>Total</b>	<b>\$ 194,153</b>

\* \$100,000 was set aside to help cover commencement expenses.

The expenditures for this period included expenses associated with eight physical board meetings, an annual board retreat, committee/BOV meetings, fifteen graduation commencements that occurred over 8 days [summer, winter & spring], as well as administrative costs that pertained to board business, such as phone conference services, delivery services, and screen/projector rental, etc.

Of the \$68,713 in expenses incurred during the sample period, \$49,912 (73%) pertained to USC-BoT board/committee meetings, and BOV meetings; and \$8,773 (13%) pertained to USC-BoT attended commencements, for which the SIG analyzed 100% of the expenses. When analytically reviewed, the residual \$10,028 (14%) in nominal administrative costs of related office expenses, professional dues, and athletic event refreshments revealed a similar pattern as identified in the sample.

Interviews and a review of expenses for the sample period identified a typical USC-BoT meeting schedule lasted one day without lodging, unless held in conjunction with a commencement, with the exception of the January retreat/USC-BoT meeting. The January retreat, extended to two days (Friday – Saturday), was an annual planning retreat and meeting for the forthcoming year. Only three of the eight regular board meetings during FY2015-16 included an overnight stay, which included a board meeting held in conjunction with the USC Beaufort Chancellor Investiture Ceremony in Bluffton, SC. Lodging for this event was secured at a daily rate of \$99 per night. Lodging for the two remaining board meetings (graduation commencements) and the January retreat was secured at the USC Wyndham Garden Hotel for the trustees, and paid directly to the vendor at an average daily rate of \$137 per night.

Committee meetings were held preceding the board meetings. Thus, the number of participants at the USC-BoT meetings varied throughout the day. For board meetings in FY2015-16, the Office of the Board of Trustees planned for 50 attendees for each of the full board meetings or committee meetings (8 committees) and 30 attendees for the annual retreat.

The costs for the eight physical board meetings, the board retreat, committee/BOV meetings, and attending commencements (\$68,713) were categorized as follows: meals/snacks (\$16,929); lodging (\$9,219); mileage/travel per diem (\$18,501); per diem/honorariums (\$9,415); rentals (room set-up & projector/screen) (\$690); contractual services (\$3,931); and miscellaneous items (\$10,028). A detailed analysis of each of the eight board meetings, the board retreat, committee/BOV meeting expenses, and the commencement expenses, is contained in *Appendix C*.

The SIG determined that:

- The USC-BoT's expenditures were paid from university-generated revenues, excluding state appropriations or funds from USC's affiliated non-profits.
- The expenditures reviewed complied with USC policies and procedures. There were no meals or lodging reimbursements paid directly to any USC-BoT member; and no meal or lodging costs, paid or reimbursed on behalf of USC-BoT member spouses/guests, were identified.
- The USC-BoT members were reimbursed for travel expenses, and offered a \$35 daily per diem (honorarium) provided by State law for other expenses incurred in carrying out their duties and responsibilities for the university. The USC-BoT members resided in various counties around the state.
- The USC-BoT expense documentation indicated the 13 non-voting trustees emeriti who attended board meetings in FY2015-16, did not receive payments for per diem or mileage reimbursements ([USC-BoT Bylaws](#)).
- The SIG reviewed the quarterly audit reports presented by the AAS to the USC-BoT Audit and Compliance Committee during FY2015-16. These reports indicated no findings; and the reviews determined the expenditures for these offices were properly managed, in all material aspects, within the scope of the review and in accordance with university policies and departmental procedures.

## **2. Analysis and Benchmarking of USC-BoT T&E Expenses**

Relevant benchmarks and analysis provides data to assess USC-BoT's current T&E policies and potential criteria to consider relative to the university's current policy.

### **a. USC-BoT Travel Expenses**

The state and federal governments have established travel benchmarks suitable for comparison to USC-BoT's travel policy. It should be noted the State travel rates were used by IHL boards and commissions to reimburse travel expenses to attend board and commission meetings. As set forth in the [General Appropriations Act Proviso 117.20](#), members traveling on State business are allowed reimbursement for actual expenses incurred, with lodging rates not to exceed the current maximum lodging rates, excluding taxes, established by the GSA, and stipulates that mileage reimbursements should be at the standard business mileage rate established by the Internal Revenue Service.

The FY2015-16 travel rates under GSA guidelines averaged \$98/day for lodging and \$57/day for meals and incidental expenses (MI&E) for Richland County; and \$103/day for lodging and \$64/day for MI&E for the March, 2016 meeting that was held Beaufort County. The FY2015-16 state travel rates were \$25/day for meals (in state) with the same GSA lodging rates previously set forth. The most reasonable benchmark would be to use the GSA travel rates that are detailed in *Appendix E*.

The USC-BoT daily average lodging rate for Richland County (\$137) exceeded the comparable GSA and state benchmark average by \$39 (39%), but actual lodging rate for Beaufort County (\$99) was below the comparable GSA and state benchmark (\$103) by \$4 (4%). When applied, these rates equated to a variance of \$1,902 in lodging costs.

USC-BoT Lodging Cost Analysis	USC Wyndham Hotel Aug. 7-8, 2015*	USC Wyndham Hotel Dec. 14-15, 2015*	USC Wyndham Hotel Jan. 29-30, 2016	USC Beaufort Hampton Hotel Mar. 17-18, 2016	USC Wyndham Hotel May 5-7, 2016*	USC Wyndham Hotel Jun. 23-24, 2016	Lodging Expenses (excluding taxes)
	Board Meeting <sup>(1)</sup>	Board Meeting <sup>(1)</sup>	Board Retreat <sup>(1)</sup>	Board Meeting <sup>(2)</sup>	Commencements <sup>(1)</sup>	Committee Meeting <sup>(1)</sup>	
Using GSA Averaged/ Actual Rate ( <i>Beaufort</i> )	\$882	\$1,176	\$1,078	\$1,236	\$1,568	\$196	\$6,136
Using Actual Rate Charged	\$1,233	\$1,644	\$1,507	\$1,188	\$2,192	\$274	\$8,038
Amount Charged above/ (below) GSA Rate	\$351	\$468	\$429	(\$48)	\$624	\$78	\$1,902

\*Included graduation commencements

<sup>(1)</sup> Richland County – GSA Averaged Rate \$98; Averaged Rate Charged \$137

<sup>(2)</sup> Beaufort County – GSA Rate \$103; Rate Charged \$99

The USC travel policy allows for lodging rates other than GSA rates based on an exemption granted each year by a state budget proviso for IHL (*See General Appropriations Act Proviso 117.20*). Although the average daily lodging rate at the USC Wyndham Hotel (\$137) was \$39 higher than the average GSA rate, the university's lodging rates for the meetings were in-line with nine comparable hotels in the area rates ranging from \$118 - \$189. A rate comparison of hotels in the downtown area is contained in *Appendix D*.

As previously noted, lodging expenses were incurred when a USC-BoT meeting was held in conjunction with overnight stay to attend graduation commencements the next day, the USC-BoT two-day retreat, committee meetings, or the March 2016 investiture ceremony for the new USC Beaufort Chancellor. The USC-BoT meetings were held at the USC Alumni Center or the Hampton St. Annex Building, and the annual retreat was held at the Capstone Building, each located on the USC Columbia campus without additional costs for meeting room spaces.

The average cost for USC-BoT daily meals was \$25, more than 50% below the GSA per diem average of \$57, and equal to the state's travel regulation of \$25 for daily meals. A detailed analysis of the meal expenses is contained in *Appendix C*.

#### **b. USC-BoT Event Expenses**

A review of the \$26,148 event expenses for the eight USC-BoT meetings and the annual retreat yielded an event expense average of \$1,194 for non-board participants as detailed in the chart below. Meeting event expenses were comprised of lodging, daily breakfast, catered beverage/snack table, catered lunches, and only a dinner function for the board retreat, which included \$142.46 in alcohol purchases. Lodging costs were paid for USC-BoT only, with no additional lodging costs incurred for non-board participants (guests).

Event Expense Classifications	Total Event Expenses	Event Expenses for USC-BoT	Event Expenses for Non-BoT	Average Expense per Meeting for Non-BoT
Lodging	9,219	9,219		
Breakfast	1,396	549	847	94
Lunch	12,933	4,486	8,447	939
Dinner Function	1,033	590	443	49
Meeting Snacks	1,567	559	1,008	112
<b>Total</b>	<b>\$26,148</b>	<b>\$15,403</b>	<b>\$10,745</b>	<b>\$1,194</b>

However, regularly scheduled USC-BoT meetings were not limited to only USC-BoT and its committees, but included among others: trustees emeriti; members of the USC president's executive council; USC system chancellors; academic deans and faculty; student leadership; the BOV; board office staff; and invited guests. In addition, the news media was invited to attend the open sessions. Sixty-three percent (63%) of the meal expenses for the board meetings (\$16,929) were attributable to non-board members (\$10,745), comprised mostly of representatives and staff of the university.

The state and federal governments do not permit its agencies to expend public funds for "event" expenses for participants external to the university. As noted earlier in this report, legislative exceptions allowed USC to pay these expenses in accordance with the university's established procedures. As such, USC policy stipulates the following university activities' expenses may be incurred from designated funds, athletic funds, and private funds. [Payment/Reimbursement for Personal Consumption Items BUSA 7.05](#)

- Athletic activities.
- Entertainment or recognition of prospective donors or donors.
- Business meetings with non-university personnel.
- Business meetings with other departmental personnel.
- Catered employee recognition and special occasion functions.
- Catered staff meetings.
- Non-catered staff meetings outside of employees' headquarters.
- Alcoholic beverages prohibited for functions (includes Board of Trustees/Committee meetings)
- Per Diem expenditures in excess of state travel regulations.

### **c. USC-BoT Athletic Expenses**

According to news media reporting, the USC-BoT spent more than \$100,000 on football game travel (*see Appendix B*). In accordance with [USC-BoT T&E Policy](#), members of the USC-BoT were offered complimentary athletic tickets, and transportation accommodations to attend post-season athletic games in which the university participated, to include: home games; post-season bowls; NCAA championship events; as well as, any university-hosted hospitality event paid by the USC Athletic Department. The trustees emeriti were offered two complimentary season tickets, parking to home football games, two complimentary tickets and parking to SEC men's basketball games.

The USC-BoT members were extended complimentary tickets to attend the home games; post-season bowls; NCAA championship events; and SEC men's basketball games totaling \$82,437; and USC-BoT trustees emeriti were provided game tickets totaling \$7,396. The USC-BoT also participated in two athletic trips/campus tours in FY2015-16 totaling \$34,654. The associated costs for these trips included ground transportation (\$3,985); air transportation (\$28,689); and football tickets (\$1,980). No lodging and meal costs were paid by USC, but rather the individual board members paid these expenses, or the meals were provided as part of the host college's dinner reception. Transportation costs reflected expenses allocated to trustees and their spouses/guests. The associated event costs for the trustees' spouses/guests (11 non-BoT participants) totaled \$16,644. The USC-BoT trustees reimbursed \$2,500 for the game-day expenses of the athletic trips cost.

The SIG determined for FY2015-16, USC-BoT members and trustees emeriti received season athletics tickets, and transportation accommodations totaling \$124,487, and refreshments totaling \$1,591. The cost for these athletic events and trips were paid for by the USC Athletic Department using department funds. The refreshments (\$1,591) were paid from the designated funds of the USC-BoT budgeted funds.

#### **IV. Impact and Role of the USC Foundations**

Private foundations chartered to benefit public agencies and universities are common in South Carolina and across the nation. They also have greater flexibility in responding to research opportunities, and a capacity for entering into a broad range of legal and organizational relationships with other universities, businesses and industries. Foundations provide greater flexibility and expertise in investing accumulated funds and are another mechanism for attracting private funding to support university projects.

The relationship between USC and its affiliated foundations is a complex and mutually dependent one. Private contributions to the university are designated for student financial aid; endowed professorships; salary supplements for faculty and administrators; equipment; and land acquisitions. The foundations assist in sponsoring research, constructing buildings and classrooms, and are used in the long-range growth and development of the university. During FY2015-16, private gifts and contributions to the foundations benefited USC with more than 5,000 students receiving financial assistance through endowed funds. ([University of South Carolina Endowment Report as of 6/30/16](#))

The mission of USC's foundations is to support the university in all of its educational, research, instructional, scientific, literary, service, charitable, and outreach endeavors. Foundations, whose activities are related to those of the university, exist primarily to provide financial assistance and other support to USC and its educational programs. The activities and resources of these entities are significant, provide a direct benefit, and are accessible to the university.

The USC foundations are unique in their missions, functions, and governing boards, yet share a common purpose to assist the university in meeting its current and future needs. Each foundation is a separately chartered corporation, independent of the university (separate staff, and computer systems), with its activities governed by a board of directors. The USC maintains contractual agreements with its foundations to assure their efforts support the university in its mission. An independent audit firm annually audits each foundation, and the report is submitted to the university. Data on each foundation is included in the university's Consolidated Annual Financial Report (CAFR). For FY2015-16, the university's annual audit disclosed no material weaknesses. ([The University FY2016 CAFR](#))

Donations and gifts fall into three categories: permanently restricted, temporarily restricted, and unrestricted. Nearly all of the funds are restricted by the donors to certain projects and areas, such as scholarships or professorships. Unrestricted gifts are designated for university priorities, programs and services not supported by state funds, endowment income, or other funding sources. Whether restricted or unrestricted, annual gifts generally are spent in the year in which they are received, while endowment gifts are pooled with other gifts and invested to generate earnings for use by the university over the long-term. An endowment provides a consistent, reliable, perpetual source of income to fund programs and services. The total USC endowment as of 6/30/2016, was \$655,469,462. ([University of South Carolina Endowment Report as of 6/30/16](#))

The SIG analytically reviewed the university's management controls on the general use of the affiliated non-profit funds. The SIG was not engaged to, nor did it perform an audit of the affiliated foundations.

Detailed below is a description of each USC affiliated foundation and its revenue support provided to the university during FY2015-16 as presented in the [University FY2016 CAFR](#).

- *The South Carolina Research Foundation - operates as a supporting organization of the university's teaching, research, and public service missions. The Foundation receives research funding from private sources, and competes for federal funds.*
- *The USC - School of Medicine Educational Trust – established in 2015 to carry out the purposes of the USC School of Medicine.*
- *The Beaufort-Jasper Higher Education Commission - created in 1994, to provide support to improve the higher education opportunities for the citizens and residents of Beaufort and Jasper Counties.*
- *The USC Development Foundation - operates to promote, and aid scientific research and investigation at USC. As of 6/30/2016, the Foundation held approximately \$26,405,753 in endowment funds for USC.*
- *The USC Educational Foundation - established to develop and implement long-range fundraising programs to assist in the expansion and improvement of the educational functions of the university. As of 6/30/2016, the Foundation held \$277,954,806 in endowment funds for USC.*
- *The USC Business Partnership Foundation - formed to bring together representatives of business and government to assist in the development and effectiveness of management personnel in the State.*
- *The Greater USC Alumni Association - formed to serve the students after they graduate with job placement, counseling, and providing programs of continuing education.*
- *The USC Upstate Foundation - established to accept gifts for charitable, benevolent, cultural, and education purposes; and to provide student housing and other real property for the use and benefit of USC Upstate.*
- *The USC Upstate Capital Development Foundation - established to accept real property donated to USC Upstate; serve as the purchasing agent for property on behalf of USC Upstate; and to manage property under leasing agreements to the university.*
- *The Educational Foundation of the USC - Lancaster operates to support of USC - Lancaster.*

South Carolina Research Foundation	\$	22,060,472
USC School of Medicine Educational Trust		1,402,949
Beaufort-Jasper Higher Education Commission		1,139,920
USC Development Foundation		323,717
USC Educational Foundation		15,484,475
USC Business Partnership Foundation		1,396,801
Greater USC Alumni Association		794,993
USC Upstate Foundation		312,570
Educational Foundation of USC Lancaster		-
<b>Total</b>	<b>\$</b>	<b>42,915,897</b>

## **V. Factors to Consider in Future T&E Policy Development**

The USC-BoT expenses reported in the media and athletic event costs, appeared to be lawful expenses of USC, a state agency, and were paid in accordance with the university's established procedures. As noted earlier in this report, the legislative exception and funding practices for IHLs allowed USC to legally establish T&E policies to provide generous benefits to its trustees, which does not violate State law.

### **A. Appreciation for USC-BoT Members' Volunteer Service**

The USC-BoT current T&E policies' benefits showed appreciation to its members who volunteered substantial time without compensation for at least four board meetings per year. These members also donate to the university. Each member's cumulative gifts and commitment in support of the university totaled more than \$11.4 million in lifetime giving. It was noted some members also served on the boards of other university foundations, also without compensation, while similar state "Authority" boards receive salaried compensation.

### **B. Financial Impact of USC-BoT T&E Expenses as Compared to Benchmarks**

Based on the results of this review, the SIG determined that USC-BoT's expenses for lodging and meals were reasonable when benchmarked in comparison to federal and state guidelines, and in some cases less than the federal and state policy. The university appears to have made considerable efforts to minimize costs relative to USC-BoT's travel expenses in accordance with its normal expense policy.

### **C. Reputational Risk Management**

An analysis of the USC-BoT's current T&E policy benefits would deem them as reasonable; however, its use of athletic program funds would be considered conservatively "generous." Creating the mere perception of wasteful spending or abuse, whether it is real or perceived, damages the trust and confidence of stakeholders, which the university needs to navigate in today's complex and competitive academic environment. Although not expressly required by statute or regulation, it is well understood that governmental decisions should be in the public interest, most notably protecting the public trust (i.e., avoid even the appearance of impropriety). (See *Appendix B - Charleston Post & Courier article*)

## **VI. Way Forward**

We commend USC for its efforts to develop avenues outside of the university to raise funds to assist in furtherance of its mission. We also commend USC for its' level of integrity and heightened management controls in relationship with its affiliated non-profits. This provides a reasonable comfort level that its non-profit funds were budgeted, monitored and distributed toward student aid and the university's priority mission programs in accordance with its established policy and guidelines.

This review found the USC-BoT appeared to have the legal authority to establish its T&E policies, and there was no evidence of intentional abuse or wrongdoing.

The university's sensitivity to USC-BoT's travel expenses appears to have given considerable efforts to minimize costs in accordance with its normal expense policy, with no funds derived from its affiliated non-profits. An analysis of the USC-BoT current T&E policy benefits would deem them as reasonable; however, its use of athletic program funds would be considered conservatively "generous"; which comes at an opportunity cost of using these funds for higher priority needs. As a result, USC, a state agency, and the USC-BoT, public servants, should consider moderating its T&E spending relative to its use of athletic program funds, where these funds can be redirected to its core mission.

## **VII. Findings and Recommendations**

**Finding #1:** There was no evidence of intentional abuse or wrongdoing by the USC-BoT or the University.

**Finding #2:** The USC-BoT T&E expense policies and expenses did not violate state law.

**Recommendation #2a:** The General Assembly should consider revising its annual budget proviso creating an exception for IHL from statewide travel policies by providing guidance or monetary limits to prevent reputational damage from the public's view of real or perceived wastefulness from overly generous travel benefits for state officials.

**Recommendation #2b:** The General Assembly should consider examining for reasonableness, the current statewide travel policy of \$25/day in state and \$32 out-of-state, which may help mitigate the need for the current travel policy exception for IHL.

**Finding #3:** The current USC-BoT T&E policies and corresponding costs relative to athletic events were inconsistent with USC-BoT's public nature; as well as, created an opportunity for funds not being available for the university's core mission programs and higher priority needs. Creating the mere perception of wasteful spending or abuse, whether it is real or perceived, damages the trust and confidence of stakeholders.

**Recommendation #3:** The university should consider moderating its current T&E policy relative to athletic event expenses to optimize their funds towards its core mission programs and higher priority needs.

## **LIST OF APPENDICES**

- A. Letter from the South Carolina Commission on Higher Education to the Office of the Inspector General, dated 9/2/2016;
- B. Post & Courier Newspaper, Charleston, South Carolina, newspaper article, dated 8/25/2016, and an editorial, date 8/29/2016;
- C. Analysis of the Expenses for the USC-BoT Meetings Held During FY2015-16
- D. Hotel Rate Comparison of Downtown Hotels
- E. GSA Per Diems for Lodging and Meals & Incidentals for Richland County & Beaufort County for FY2016



Board of Trustees

### **University of South Carolina Response to the State Inspector General's Report**

The University of South Carolina appreciates the State Inspector General's (SIG) comprehensive review of Board of Trustees expenses – including the University's compliance with all relevant state laws, regulations, and policies applicable to such expenses – and the University's management controls on the general use of affiliated non-profit (foundation) funds.

The University takes seriously its fiduciary obligation to manage University resources in a fiscally sound and responsible manner. The University, therefore, values the SIG's confirmation that with respect to Trustee-related expenses and expense policies, the Board at all times acted lawfully and in compliance with state laws, and that no evidence of wrongdoing was found. All Board expenditures were paid solely from University-generated revenues – that is, neither state appropriated funds nor funds from USC's affiliated non-profit foundations were used – and Board expenses for lodging and meals were found to be “reasonable when benchmarked in comparison to federal and state guidelines, and in some cases [were] less than the federal and state policy.” The SIG's conclusion that “the university appears to have made considerable efforts to minimize costs relative to USC-BoT's travel expenses in accordance with its normal expense policy” demonstrates the University's commitment to fiscal responsibility.

The SIG report further recognizes the University's appropriate stewardship of financial resources available to it from University-affiliated foundations. Foundation funds are not used to pay Board expenses but rather are applied in support of the University's core mission of providing high quality educational programs and educational opportunities. The SIG report notes: “We commend USC for the level of integrity and heightened management controls in relation to its affiliated non-profits, which provide a reasonable comfort level that its non-profit funds were budgeted, monitored and distributed toward student aid, and the university's priority mission programs in accordance with its established policy and guidelines.”

The SIG report acknowledges the University's significant impact on the economic success of the State of South Carolina. Citing a 2017 economic impact study, the SIG notes that the eight-campus system “had an annual \$5.5 billion economic impact on the State, to include an annual net contribution of \$3 billion and nearly \$220 million in annual tax revenue to the State's economy. Additionally, the USC athletics programs had a \$225 million annual economic impact and supported 2,787 jobs, while the university's overall activities accounted for 60,250 jobs.” Responsibility for governing the complex University enterprise rests with the Board of Trustees, consisting of 20 members who generously donate substantial

time, without compensation, to oversee the State's flagship educational institution. Trustees have also made personal donations to the University totaling, according to the SIG, "more than \$11.4 million."

The obligations of Trustee service include, significantly, promoting and generating support for the University, and fundraising, including at athletics and donor events that showcase the University. The University benefits directly from active Trustee involvement and participation in these events; Trustees led the University's recent, successful capital campaign that raised more than \$1 billion. The SIG report commends the University "for its' efforts to develop avenues outside of the university to raise funds to assist in furtherance of its mission."

The use of athletics-generated funds to pay reasonable expenses associated with Trustee participation in donor and athletics events represents a meaningful investment in the advancement and success of the University. The University is mindful, however, of the SIG's caution that "the mere perception of wasteful spending or abuse, whether it is real or perceived, damages the trust and confidence of the stakeholders." Accordingly, the University will continue its commitment to sound financial practices and thoughtful consideration of Board expenses.

# OFFICE OF THE INSPECTOR GENERAL

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## APPENDICES [A-E]

Investigation of Alleged Excessive Travel & Event Expenses  
by the Board of Trustees, University of South Carolina and  
Review of Management Controls of Related Foundations

# Appendix - A



## South Carolina Commission on Higher Education

Mr. Tim M. Hofferth, Chair  
Ms. Dianne C. Kuhl, Vice Chair  
Mr. Paul O. Bateson, III  
Mr. Devron H. Edwards  
Dr. Bettie Ross Horne  
Mr. Kenneth W. Kirkland  
Ms. Allison Dean Love  
Dr. Louis B. Lynn  
Vice Admiral Charles Munn, USN (ret.)  
Mr. Kim F. Phillips  
Ms. Terrye C. Sockinger  
Dr. Jennifer B. Sottlesmyer  
Mr. Hood Temple  
Dr. Evans Whitaker

Mr. Gary S. Glenn  
Interim Executive Director

September 2, 2016

Mr. Patrick J. Maley  
State Inspector General  
111 Executive Center Drive, Suite 204  
Synergy Business Park  
Enoree Building  
Columbia, SC 29210-8416

Dear Mr. Maley,

At its meeting on September 1, 2016, The Commission on Higher Education voted unanimously to request that you audit purported excessive spending by members of the Board of Trustees at the Medical University of South Carolina and that you extend the scope of the audit to include the Boards of Trustees at the University of South Carolina and Clemson University. This request is in response to allegations published in an editorial on August 30, 2016 by the Post & Courier which can be accessed

<http://www.postandcourier.com/20160830/160839985/muscs-big-spending-board->

In discussing the need for this audit, Commissioner Hood Temple stated "All universities' Boards of Trustees are poisoned by this allegation. We need to gather the facts in order to address the public's concern or to defend our schools against these report, should the allegations prove to be unfounded."

Chairman Tim Hofferth noted "In an environment of skyrocketing costs and runaway spending in higher education, the timing of this news article could not be worse." He went on to say, "CHE's responsibility is to protect the students, families, and taxpayers of South Carolina. In order to properly address this situation, the first step is to be proactive in trying to find the facts."

Given the concerns of the Commission, we respectfully request that you perform this audit and that you move as quickly as possible to determine the validity of the allegations made.

Thank you for your consideration of this request and for all you do to strengthen the trust between the citizens of South Carolina and the Executive Branch of state government.

Sincerely,

Gary S. Glenn  
Interim Executive Director  
SC Commission on Higher Education

# Appendix - B

## ***Is it business or pleasure?***

***MUSC board members rack up thousands on luxury hotels, meals***

***By Doug Pardue and Lauren Sausser***

**The Post and Courier**

*Aug 25, 2016*

A \$160 bottle of Barolo, Italy's fabled "king of wines."

A \$6,400 farewell dinner at Peninsula Grill, described by one restaurant reviewer as "unapologetically indulgent."

A \$37,430 Christmas banquet, including \$5,600 for cocktails, at Charleston Place, one of the Holy City's top luxury hotels.

These are some of the perks that members of the Board of Trustees of the Medical University of South Carolina enjoy when they gather in Charleston for six or so meetings a year.

The trustees' spending continued even after internal auditors and the General Assembly's watchdog agency warned the board about its "inappropriate" and possibly illegal habits in the late '90s.

MUSC leaders say board members follow the rules regarding spending and reimbursement. The Board of Trustees developed those guidelines in 2015, but records show, on at least one occasion since then, a board member broke them.

Two state lawmakers recently made aware of the newspaper's investigation renewed calls to review the group's expenses.

Such high living is illegal for virtually all state employees while traveling on official business. But thanks to a special provision in state law, MUSC trustees enjoy an exemption to set their own travel expenditure rates.

Even so, university officials contend that most of the money used to reimburse the board members isn't public anyway. It comes from the private, nonprofit corporation set up by MUSC for doctors who treat patients at its hospital and teach at its medical school.

Some experts reject that argument, contending that money spent by the doctors' group is public because the physicians use MUSC facilities, equipment and other resources to make it.

State law also allows the governing boards of other state colleges and universities to use money made from student athletics, activities, canteens and bookstores without having to comply with regular spending laws. It is unclear when this provision was signed into law.

The Post and Courier compared MUSC's board expenses to those of six other public universities inside and outside the state. Together, six South Carolina schools spent more than \$2 million on their boards' expenses.

**Clemson's board outspends MUSC's board**

Records show the Clemson University Board of Trustees is the only governing board among the major public schools in South Carolina that outspent MUSC's board.

Clemson's board spent nearly \$750,000 on food, entertainment and hotel rooms since 2011. Among other expenses, The Post and Courier found that Clemson trustees spent:

\$2,999.11: Dinner for board members who attended the national championship football game in Arizona in 2016

\$6,153.17: Dinner for 50 people at Cypress in Charleston during a 2011 board meeting

\$7,081.57: Dinner for 45 people at McCrady's in Charleston during a 2011 board meeting

\$7,344: Bus rentals for the 2013 football season

\$3,093.46: Baseball game tickets and dinner for 28 people to see the Greenville Drive, a minor league team, in 2015

The MUSC Board of Trustees outspent their counterparts at each school except for Clemson, where the governing board racked up some \$750,000 in expenses since 2011, including more than \$100,000 to cheer on the Tigers at out-of-state football games.

The receipts and reports related to MUSC board expenses, including a liquor store bill for “board booze,” reveal a pattern of extravagant spending — mainly on hotels and meals — even though all 16 members of the board are appointed by the governor or state legislators to safeguard taxpayer money and to set the \$2 billion annual budget for the public university and hospital. Three of the trustees are related to members of the Legislature.

While some MUSC board members spent very little money in the past five years, others have essentially enjoyed expensive weekday getaways in the Holy City — often with their spouses — when attending MUSC business meetings.

The receipts show that they stay in luxury hotels, such as Charleston Place, and regularly dine at the city's finest restaurants, including Charleston Grill, FIG, Husk and the private Carolina Yacht Club. And while board members meet, their spouses enjoy catered cocktail lunches.

MUSC and its physicians group, University Medical Associates, paid for all of it, even as the board raised student tuition every year.

Among these expenses, the newspaper found:

Members of the Board of Trustees have spent nearly \$100,000 since 2011 on hotel rooms. On top of these lodging costs, they have been routinely entertained at Charleston Place banquets, including the \$37,430 Christmas event hosted in December 2014 for members of the Board of Trustees and the Board of Visitors.

When rooms at Charleston Place became too expensive, trustees started staying at Planters Inn, a luxury boutique hotel on Market Street. Planters Inn was named the “best small hotel” in the country in 2014. “Travel + Leisure” magazine called it “akin to an overnight with well-to-do friends in their old Charleston mansion.”

Board member James Lemon and his wife spent \$774 on dinner at Halls Chophouse on Aug. 12, 2015. Lemon, an oral surgeon in Columbia, asked MUSC to reimburse him only for his half of the bill — \$387, nearly triple the board's supposed limit for a single meal. The next night, he spent \$296 on dinner at Eli's Table with his wife and fellow board member Jim Battle. University Medical Associates paid the bill, then later asked Lemon to return \$45.60 because he spent too much. MUSC spokeswoman Heather Woolwine said this was the only time a trustee has been penalized for overspending since 2011.

Board members regularly add spouses, family members and guests to MUSC's tab. For example, board member Charles Schulze spent \$294 on dinner with his niece in 2012 at Peninsula Grill, a four-diamond, nationally acclaimed restaurant. Similarly, Conyers O'Bryan sent MUSC a bill in 2011 for a \$1,059.35 dinner at Fulton Five. The guest list included five board members, three spouses and two residents invited by board member Stanley Baker.

MUSC staff regularly stock up on liquor for the board's “hospitality suite.” One staff member purchased nearly \$700 worth of alcohol at Burris Liquor Store and Pence's Liquor & Wine before a February 2015 meeting.

In August 2014, the MUSC Board hosted a farewell dinner for two trustees and one staff member. The bill at Peninsula Grill that night totaled \$6,472.81.

Members of the Board of Trustees and the Board of Visitors have spent more than \$7,500 since 2011 on flowers, invitations, gift baskets — and a harpist.

MUSC and its physicians' group typically reimburse board members without question — from a \$6.77 Chick-filA lunch that board member Stanley Baker bought in the hospital cafeteria to a \$45 tab that Mark Sweatman, board secretary and lobbyist, charged at a cigar bar.

Where the money went

- The MUSC Board of Trustees and the Board of Visitors have racked up about \$280,000 in lodging, meals and alcohol at Charleston Place.
- The MUSC Board of Trustees spent nearly \$55,000 at Planters Inn in 2015 and 2016.
- Peninsula Grill is one of many high-end Charleston restaurants where MUSC board members eat when they convene meetings including a \$6,400 farewell dinner.
- Three bottles of \$160 Italian Barolo were part of a \$1,482 tab several members rang up at at Fulton Five.
- A few MUSC board members spent nearly \$2,000 on hotel rooms and meals in 2015, including dinner at Indaco, for a meeting that wasn't made public.
- One staff member purchased nearly \$700 worth of alcohol at Burriss Liquor Store and Pence's Liquor & Wine before a February 2015 meeting.

No question was raised four years ago when eight board members and their spouses ordered three \$160 bottles of Italian Barolo wine during dinner at Fulton Five. The total bill — \$1,482.90 — was paid for by the doctors' group.

Alarm bells also did not sound in 2014 when five board members spent \$1,051.62 on dinner at the Carolina Yacht Club, including two \$77 bottles of California chardonnay and three \$110 bottles of an Oregon pinot noir that was named best in show this year in the prestigious Decanter World Wine Awards.

Private privilege

Board members continued to rack up bills for upscale wine, food and hotel rooms even as they voted to raise student tuition every year. Since 2007, average tuition among all colleges at MUSC has increased by two-thirds.

Meanwhile, the board hired an outside consultant to figure out how the hospital could save money. The economic situation was so dire in late 2012 that former President Ray Greenberg later noted that he lost sleep over how little cash Medical University Hospital had on hand.

College of Charleston philosophy professor Larry D. Krasnoff specializes in ethics, political philosophy and legal theory.

He said the board's spending on travel "hardly seems justified when the state has yet to commit to rebuilding its roads, funding the 'minimally adequate' education mandated in its constitution, or expanding Medicaid."

Most board members contacted by The Post and Courier refused to comment for this story. Board Chairman Donald Johnson, a Mount Pleasant surgeon who joined the board in 1994, told the newspaper to send all questions through MUSC's public relations office.

The only board member willing to answer questions was Barbara Johnson-Williams, who joined the group in 2013. She described herself as too new to the board to offer any explanation for its spending habits.

"I'm just getting there," Johnson-Williams said. "I haven't had a chance to look at what other boards are spending or how they may accommodate their board members."

Woolwine, MUSC's spokeswoman, said the board isn't mishandling public money. "The only thing that state dollars are used for are per diem and mileage."

Normally, members of state boards in South Carolina are limited to a \$35 daily allowance plus \$25 a day for meals and standard mileage. If board members require a hotel room, they are supposed to abide by rates established by the federal government. Those rates vary by month and by city, but during high season in Charleston, they currently don't exceed \$203, before taxes.

Woolwine said most of the MUSC board members' travel expenses may exceed these limits because they are covered with non-public money that comes from MUSC's doctors' group.

She said the associates' reimbursement policy allows board members to spend \$136 per person per meal, plus 20 percent tip. Policy also allows them to bring spouses or guests, as long as the guest has "a clear connection or future/potential connection to MUSC."

Columbia attorney Jay Bender, an expert on South Carolina's open records laws, said "the members of the MUSC board have equated public service to private privilege."

Bender, who also represents The Post and Courier, said the use of different accounts amounts to a financial shell game.

He said MUSC's doctors' group "is making money using public resources and in no way can that money be considered private. ... I think the physician group is a public body and its money is public money."

Bender also said that despite the provision of the law that exempts the school from travel expenditure limits, "the exemption doesn't justify extravagance."

Two prominent state lawmakers say the expenses trouble them so much that they plan to formally investigate the matter when the Legislature reconvenes in January.

Republican Sen. John Courson of Columbia, chairman of the Senate Education Committee and a member of both the Medical Affairs and Finance committees, called the expenses "excessive."

And Republican Rep. Jim Merrill of Charleston, a member of the powerful House Ways and Means Committee, said no one expects the trustees to stay in budget motels in Charleston, but "staying in the nicest hotels might be over the top. The numbers do seem exorbitant."

### Ignoring critics

In the late 1990s, MUSC faced similar criticism regarding excessive expenses, such as an \$8,571 Christmas dinner for the Board of Trustees and the Board of Visitors and \$98 bottles of wine.

An internal audit conducted in 1997 found that some of the broader university's expenses and entertainment expenditures "may be inappropriate" and the Board of Trustees "may be held personally liable for misappropriations or misuse of funds."

Two years after that audit, the Legislative Audit Council, the General Assembly's watchdog agency, launched an investigation of MUSC's expenditures and its relationship to University Medical Associates to find out if the groups were complying with state law.

The audit council uncovered further evidence that the MUSC Board misused public money and “found no evidence that MUSC changed its spending practices” in response to the 1997 internal audit.

The Legislative Audit Council report also determined MUSC's “blended” relationship with its physicians' group

“allows MUSC to avoid accountability for the use of public funds,” concluding that many of MUSC's expenditures “are an inappropriate use of public funds.”

In a formal response at the time, MUSC dismissed most of these concerns. And since then, the board has done little to change its behavior.

“This legislative report was advisory in scope and action,” MUSC spokeswoman Woolwine said in a recent email. The Board of Trustees “believes that it is acting, then and now, within bounds and in good faith regarding its relationship with the UMA.”

'All these perks'

Regardless of whether MUSC's trustees' expense reimbursements are legal, the board's travel costs are far higher than those of most other large South Carolina public colleges.

For example, the College of Charleston's 20 trustees have spent \$218,000 since 2011, less than half the amount of MUSC's trustees, despite having four more trustees.

Instead of booking luxury hotels, the College of Charleston's trustees usually sleep in college facilities if they have to stay overnight for meetings, a college spokesman said.

And when breakfast or lunch is served at board meetings, the school typically calls on Aramark, its in-house food services provider.

MUSC's board bypasses meals served by its on-campus food provider in favor of Hamby's, one of city's top caterers, ringing up a \$65,000 tab with the West Ashley company since 2011.

**In that time frame, 22 board members at the University of South Carolina, the state's largest public university, have spent less than \$400,000, despite laying out more than \$100,000 on football game travel.**

MUSC also outspent board members at similar out-of-state institutions.

For example, 10 board members at Oregon Health Sciences University, a freestanding, public teaching hospital and research university like MUSC, spent \$232,325 in five years, including almost \$104,000 on overnight board retreats.

A spokeswoman for the Oregon school said most board members simply drive into Portland for regular daylong meetings and don't stay overnight.

Jack Gould is issues chairman for Common Cause of Nebraska, a watchdog group that exposed how the University of Nebraska used donations and private money in recent years to shower top administrators and athletic staff with gifts and perks, including fancy cars and country club memberships.

“Nobody intended this money to buy expensive dinners and expensive bottles of wine,” Gould said. “If the money is being used for purposes other than providing a better education, then it is money being abused.”

Pablo Eisenberg, a senior fellow at Georgetown University's Center for Public and Nonprofit Leadership, called MUSC's spending on trustee travel, “an outrageous expenditure of money. ... It's a terrible practice.”

Mark Sweatman, secretary for the MUSC trustees and a lobbyist for the school, defended the board in an email sent through the school's media relations office.

“Collectively, this board's current members have voluntarily served MUSC for more than 180 years. They consistently demonstrate their willingness to clear their personal and business schedules for three or four days six times a year; to travel across the state for two days of meetings, and; to combine their best judgment to benefit others,” Sweatman wrote.

They also open their pocketbooks to help the university. Current and former members of the MUSC Board of Trustees have donated almost \$5 million to the school in their lifetimes and members of the MUSC Board of Visitors have donated almost \$6 million since 2011, school officials said.

Regardless of the good these people do, Gould said, “Getting elected or being selected doesn't give anyone the right to entertain themselves at the expense of the donor or taxpayer.”

Instead, he said, MUSC's trustees should donate their “wine funds” to student scholarships.

Reach Lauren Sausser at (843) 937-5598 or Doug Pardue at (843) 937-5558.

# Appendix - C

## Summary Analysis of the USC-BoT Meeting Expenses During FY2015-16

FY2015-16 – BoT expenses encompassed 10 full Board meetings, which included four called meetings (two telephonically conducted); an annual BoT Retreat; several Board Committee/BOV meetings held on various dates; and 15 commencements, occurring over 8 days. USC-BoT meeting dates also included its committee meetings.

Expense Classifications	8/7/15 BoT Board Meeting	10/16/15 BoT Board Meeting	12/7/15 BoT Board Meeting	12/15/15 BoT Board Meeting	1/29-30/16 BoT Annual Retreat	2/19/16 BoT Board Meeting	3/17-18/2016 BoT Board Meeting <sup>(1)</sup>	4/22/16 BoT Board Meeting	6/24/16 BoT Board Meeting	BoT Committee /BOV Meetings <sup>(2)</sup>	Commencements	Total
Lodging, parking & taxes	1,283			1,710	1,568		1,307			305	3,046	\$ 9,219
Mileage Per Diem	1,050	1,412	391	1,608	1,107	1,164	2,200	1,369	1,445	3,513	3,242	\$ 18,502
BoT Per Diem	805	525	245	560	875	490	840	525	665	1,400	2,485	\$ 9,415
<b>Day 1 Breakfast</b>	<b>112</b>	<b>141</b>		<b>527</b>	<b>296</b>					<b>280</b>		<b>\$ 1,356</b>
Catered Lunch	316	942		1,311	772	1,849		1,666	2,152	3,522		\$ 12,530
Meeting Beverages/Snacks	57	89			158	220		110	777	156		\$ 1,567
Dinner Function *					1,033							\$ 1,033
<b>Day 2 Breakfast</b>					<b>40</b>							<b>\$ 40</b>
Catered Lunch					403							\$ 403
Meeting Beverages/Snacks												\$ -
Dinner Function												\$ -
<b>Rentals (space rental/set-up; and projector &amp; screen)</b>					<b>190</b>				<b>500</b>			<b>\$ 690</b>
<b>Contractual Services: IT support, parking; conference line, FedEx</b>												<b>\$ 3,931</b>
<b>Misc. Expenses</b>												<b>\$ 10,028</b>
<b>Total</b>	<b>\$ 3,624</b>	<b>\$ 3,109</b>	<b>\$ 636</b>	<b>\$ 5,716</b>	<b>\$ 6,441</b>	<b>\$ 3,723</b>	<b>\$ 4,347</b>	<b>\$ 3,670</b>	<b>\$ 5,539</b>	<b>\$ 9,176</b>	<b>\$ 8,773</b>	<b>\$ 68,713</b>

<sup>(1)</sup> USC-BoT Board Meeting held in conjunction with USC Beaufort Chancellor Investiture Ceremony.

<sup>(2)</sup> Includes meeting costs (lunch & snacks) associated with the Board of Visitors meetings with USC-BoT paid from the BoT expense budget totaling \$475.88.

\* Dinner function contained alcohol purchases totaling \$142.86 paid by the University using "designated funds".

# Appendix – D

## **COMPARABLE HOTEL RATES IN THE COLUMBIA AREA**

*Source: Obtained from the Internet 3/1/18*

**\$118 Sheraton Columbia Downtown Hotel**

**\$129 The 1425 Inn**

**\$129 Staybridge Suites Columbia**

**\$135 Aloft Columbia Downtown**

**\$139 Hampton Inn by Hilton Columbia Downtown Historic District**

**\$139 Hilton Columbia Center - Hotel**

**\$159 Hyatt Place Columbia/Downtown/The Vista**

**\$159 Courtyard by Marriott Columbia Downtown at USC**

**\$189 Columbia Marriott**

# Appendix - E

## GSA PER DIEMS FOR LODGING AND MEALS & INCIDENTALS FOR RICHLAND COUNTY & BEAUFORT COUNTY FOR FY2015-16

Source: [GSA - Per Diem Rates for South Carolina](#)

These per diem rates were set by the General Services Administration (GSA) and are used by Federal and local governments as well as many private-sector companies to reimburse employees for business travel expenses incurred within Richland County and Beaufort County, South Carolina. Generally, an individual is entitled to a daily Lodging per-diem to cover actual hotel costs and one Meals & Incidentals per-diem payment to cover food and incidentals like parking costs for each full day of travel.

### Richland County Per Diems for July 2015 - June 2016:

Lodging: Ranged from \$94 - \$99/ night during the year

Meals & Incidentals: Ranged from \$51 - \$59 / day

<u>Month</u>	<u>Lodging</u>	<u>Meals &amp; IE</u>	<u>Meals Only</u>	<u>Proportional Meals</u>	<u>Incidentals</u>
July 2015	\$94.00	\$51.00	\$46.00	\$30.00	\$5.00
August 2015	\$94.00	\$51.00	\$46.00	\$30.00	\$5.00
September 2015	\$94.00	\$51.00	\$46.00	\$30.00	\$5.00
October 2015	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
November 2015	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
December 2015	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
January 2016	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
February 2016	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
March 2016	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
April 2016	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
May 2016	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
June 2016	\$99.00	\$59.00	\$54.00	\$34.00	\$5.00
<b>Average Rate</b>	<b>\$98.00</b>	<b>\$57.00</b>			

### Beaufort County Per Diems for July 2015 - June 2016:

Lodging: Ranged from \$103 - \$144/ night during the year

Meals & Incidentals: Ranged from \$61 - \$64 / day

<u>Month</u>	<u>Lodging</u>	<u>Meals &amp; IE</u>	<u>Meals Only</u>	<u>Proportional Meals</u>	<u>Incidentals</u>
July 2015	\$133.00	\$61.00	\$56.00	\$35.00	\$5.00
August 2015	\$104.00	\$61.00	\$56.00	\$35.00	\$5.00
September 2015	\$104.00	\$61.00	\$56.00	\$35.00	\$5.00
October 2015	\$103.00	\$64.00	\$59.00	\$37.00	\$5.00
November 2015	\$103.00	\$64.00	\$59.00	\$37.00	\$5.00
December 2015	\$103.00	\$64.00	\$59.00	\$37.00	\$5.00
January 2016	\$103.00	\$64.00	\$59.00	\$37.00	\$5.00
February 2016	\$103.00	\$64.00	\$59.00	\$37.00	\$5.00
<b>March 2016*</b>	<b>\$103.00</b>	<b>\$64.00</b>	\$59.00	\$37.00	\$5.00
April 2016	\$144.00	\$64.00	\$59.00	\$37.00	\$5.00
May 2016	\$144.00	\$64.00	\$59.00	\$37.00	\$5.00
June 2016	\$144.00	\$64.00	\$59.00	\$37.00	\$5.00

\*The USC-BoT meeting was held in March 2016, in conjunction with the USC Beaufort Chancellor Investiture Ceremony in Bluffton, SC. (Beaufort County)