Investigation of Alleged Excessive Travel & Event Expenses by the Board of Trustees, Clemson University and Review of Management Controls of Related Foundations
I. Executive Summary

The South Carolina Commission on Higher Education (CHE) requested the State Inspector General (SIG), via a letter dated 9/2/2016, to audit alleged excessive spending by the Clemson University Board of Trustees (CU-BoT). A Charleston newspaper article reported the CU-BoT spent nearly $750,000 over a recent five year period for food, entertainment, and lodging illustrated with anecdotes of excessive spending, such as: a $2,999.11 dinner for board members who attended the national championship football game in Arizona in 2016, $3,093.46 for baseball game tickets and dinner for 28 people to attend the Greenville Drive Game, a minor league baseball team in 2015; $7,344 in bus rentals for the 2013 football season; a $6,153.17 dinner for 50 people at Cypress Restaurant in Charleston; and a $7,081.57 dinner for 45 people at McCrady's Restaurant in Charleston, both during a 2011 board meeting; and more than $100,000 to cheer on the Tigers at out-of-state football games.

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 CU-BoT expenses in response to the allegations and inferences of excessive spending of the CU-BoT raised in the media articles. 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 the university.

Analyzing CU-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. Clemson University met this exception with its expenses paid by the Clemson University Foundation (CUF), a closely affiliated charitable non-profit, and other university generated revenue sources.

A review of a five-year audit period for fiscal years (FY) 2012-2016 determined the CU-BoT reported expenses totaled $672,236 in travel and event (T&E) expenses. The SIG selected the most current year, FY2015-16, as an audit sample. The total expenses for that period were all (100%) traced to expenses related to board meetings, which occurred, at a minimum, four times a year.

Clemson University (Clemson) is governed by a board of thirteen members, including six elected by the State General Assembly and seven appointed life members. The expenses incurred in FY2015-16 for four board meetings was $95,866, of which $36,392 (38%) was paid by CUF. These board meeting costs included expenses for the thirteen CU-BoT; seven emeriti trustees; committee members; Clemson Administrative Council; as well as, representatives from different departments of the university, affiliated foundations, industry, and student representatives.

Other related expenses included: three graduation events ($16,754), of which $10,306 (62%) was paid by CUF; athletic/fundraising events ($28,562), of which $19,936 (70%) was paid by CUF; and athletic events ($198,306), paid entirely by the university’s athletic department.
This review found the CU-BoT appeared to have the legal authority to establish its T&E policies, and also found no evidence of intentional abuse or wrongdoing. However, there are several relevant factors Clemson should consider:

- For FY2015-16, CU-BoT related costs totaled $141,182 (board meetings, graduation events, and athletic/fundraising events), of which $66,634 (47%) were paid using CUF funds. The CU-BoT and emeriti trustees were also provided hotel and airfare accommodations, games tickets, and skybox accommodations for athletic events totaling $198,306 that were paid entirely by Clemson University’s Athletic Department.

- In its efforts to minimize costs, generally, CU-BoT T&E expenses were paid directly to the vendor and amounts above the state’s normal per diem were paid using foundation funds. Clemson’s Board of Trustees policy did not include 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 CU-BoT meetings.

- The CU-BoT justified its current T&E policies as showing appreciation to its members, who volunteered their time without compensation, as well as made substantial donations totaling over $24 million in lifetime giving. Further, several CU-BoT served on a number of foundation boards, also without compensation, while similar state “Authority” boards received salaried compensation.

- Inasmuch as CUF is a charitable non-profit with the sole mission to support Clemson, any use of CUF funds by the CU-BoT comes at the opportunity cost of these same funds not being available for higher priority university mission needs.

- Excessive expenses, real or perceived, damage the trust and confidence of Clemson stakeholders, to include students, donors, and taxpayers.

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

The university’s sensitivity to CU-BoT’s travel expenses appears to have given consideration to minimizing costs and allocating costs beyond its normal expenditure policy to CUF, however, an analysis of the CU-BoT current T&E policy benefits would deem them as, conservatively, “generous” by governmental standards, which comes at an opportunity cost of using CUF funds for higher priority Clemson needs. As a result, Clemson University, a state agency, and the CU-BoT, public servants, should consider moderating its travel and event spending, where the corresponding reduction of using its athletic funds and affiliated non-profit’s funds can be redirected to its core mission.

To effectively drive down tuition in a state with the 8th highest average tuition in the nation, it will take a renewed IHL fiduciary mindset to align its employees’ decisions, both big and small, to CHE’s affordability strategy in order to drive down IHL costs.
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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 Clemson University Board of Trustees (CU-BoT) (see Appendix A). The allegation originated from a newspaper article (8/25/2016) and editorial (8/29/2016) published by the Post & Courier Newspaper, Charleston, South Carolina (see Appendix B). The article alleged the 13-member CU-BoT and seven emeriti trustees spent $750,000 over a five-year period (FY’s 2012-2016) for food, drink, and lodging, which was illustrated by anecdotes of excessive spending, to include:

- “$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;”
- “$2,999.11: Dinner for board members who attended the national championship football game in Arizona in 2016;” and
- “More than $100,000 to cheer on the Tigers at out-of-state football games.

In its letter, the CHE, which has an oversight role for 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 CU-BoT travel and event (T&E) expenses for a five-year audit period from FY2011-12 through FY2015-16 with emphasis on the most recent fiscal year, FY2015-16;
- Determine Clemson University’s compliance with all relevant state laws, regulations, and policies applicable to CU-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 CU-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. Clemson University Overview

Clemson University (Clemson), by all measures, is highly successful with a reputation for excellence that’s known worldwide, ranked as the 23rd best national public university by *U.S. News & World Report* for 2017. Clemson was ranked as the 21st best university nationally on *Money* magazine’s annual list of “Best Colleges for Your Money,” in 2016. A 2013 economic impact study conducted by the Regional Economics Analysis Laboratory at the Strom Thurmond Institute determined Clemson University had an annual $1.9 billion economic impact on the state, and its activities accounted for nearly 25,000 jobs (See sti.clemson.edu/reports).

During FY2015-2016, Clemson celebrated the close of the most successful capital campaign in its history, the “Will to Lead” ten year campaign, launched in 2006, raised over $1 billion for scholarships, faculty support, facilities, and student engagement opportunities and programs. Clemson was awarded the Innovation and Economic Prosperity University Award for Talent by the Association of Public and Land-Grant Universities based on workforce and economic development initiatives. Clemson has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report since 1993. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparation of state and local government financial reports. (See Clemson FY2016 Comprehensive Annual Financial Report (CAFR) at 6/30/16)

Clemson, founded in 1889 as a legacy of Thomas Green Clemson, was established as an institution of higher education by Section 59-119-20 of the Code of Laws of South Carolina. Clemson’s mission is to fulfill the founder’s vision of a "high seminary of learning" through its historical land-grant responsibilities of teaching, research and extended public service. Clemson is a state-supported, coeducational institution of higher education. The university is granted an annual appropriation for operating purposes as authorized by the General Assembly. South Carolina laws and, the policies and procedures specified for state agencies and institutions are applicable to the activities of Clemson. Clemson is a component unit of the state of South Carolina and its financial statements are included in the state’s Comprehensive Annual Financial Report.

Clemson is governed by a 13-member board of trustees, including six elected by the state legislature and seven successor members, as provided by the will of Thomas G. Clemson. The CU-BoT’s role is to govern through establishment of policies that ensure academic quality, protect the university’s financial security, and ensure efficient and effective administration through the board’s selected president and his or her executive officers. The CU-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.

Clemson’s related foundations are unique in their missions, functions, and governing boards, yet share a common purpose to assist Clemson in meeting its current and future needs. Each foundation is a separately chartered corporation, independent of the university, and their activities governed by a board of directors. The following foundations support Clemson:

- Clemson University Foundation
- Clemson University Land Stewardship Foundation
- Clemson University Research Foundation
- Clemson Research Facilities Corporation
- IPTAY
- Clemson University Real Estate Foundation
- Clemson Architectural Foundation
- Clemson University Continuing Education and Conference Complex Corporation
III. Audit of Clemson University Board of Trustees’ Travel & Event Expenses

The SIG reviewed the laws and policies governing CU-BoT T&E expenses during the five-year audit period (7/1/2011 – 6/30/2016). The 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 CU-BoT incurred $672,236 in travel and event expenses; an average of $134,447 each fiscal year. The SIG selected the most recent year, FY2015-16 as an audit sample, evaluating (100%) of the expenses related to board meetings, which occurred, at a minimum, four times a year.

A. Laws and Policies Governing CU-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. Lodging was limited to the maximum lodging rate, excluding taxes, established by the U.S. General Services Administration (GSA). The current GSA daily lodging rate for Pickens County which boundaries included Clemson, and Greenville County varied based on the season from $83.00 - $89.00 with an annual weighted average of $88.00/day (excluding taxes). These per diem rates were set by the GSA and 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

During the audit period, an annual state budget proviso created an exception for travel expenses at IHL (See Appendix D). This exception required travel be paid without using appropriated General Funds; and Clemson met this requirement inasmuch as its travel expenses associated with CU-BoT meetings, although very limited (associated staff) were paid by the Clemson University Foundation (CUF), a closely affiliated non-profit entity.

3. CU-BoT T&E Policies

- The CU-BoT departmental expenditures were paid from two sources: 1) university generated revenues (no state appropriations); and 2) private funds (such as donations) paid by the CUF.

- The CU-BoT members were not reimbursed for travel, meals, spousal or other expenses incurred in carrying out their duties and responsibilities for Clemson. The CU-BoT members resided in various counties of the state and surrounding areas.

- The CU-BoT Emeriti Trustees Policy indicated that non-voting emeriti trustees (7) were invited to all meetings, including committee meetings, and other functions, but no payments to emeriti trustees were made with appropriated funds including payments for per diem or mileage reimbursements.

- The CU-BoT members and Clemson Emeriti Trustees Policy also provided benefits to attend athletic games in which Clemson participated to include: home games; post-season bowl games; ACC and NCAA Championship events, as well as any Clemson-hosted hospitality events (to include game tickets, hotel and
transportation accommodations). These expenses were paid by the university’s athletic department. For home football games, the university purchased tickets for a skybox for the CU-BoT.

- The CUF, a non-profit foundation, annually allocates unrestricted money raised to assist in payment of CU-BoT expenses that the university is not allowed to pay with state-appropriated funds. A contractual agreement between the university and the foundation requires the university to provide staff, office space and computer services. The foundation reimburses the university the value of the staff salaries and office space. (See Appendix E)

4. **CU-BoT T&E Expense Processing Procedures**

The CU-BoT Executive Secretary/Executive Director for Governmental Affairs was responsible for managing the board of trustees’ budget and departmental resources, and coordinating direct vendor billing for the majority of the expenses incurred, which generally pertained to covering negotiated hotel room expenses, catering food service for board meetings and group dinner events. Vendor invoices were submitted by the CU-BoT Executive Secretary for payment and reviewed by two Clemson administrative staff for policy compliance and documentation of member attendance at the CU-BoT sponsored meeting. Subsequently, these expenses were assessed and coded for payment from funds of the university or the CUF based on the availability of funds and type of expense allowed under the university’s policy and guidelines. Clemson officials indicated that state appropriations were not used to support the board.

The CU-BoT budget was funded from CUF funds and other university generated revenue sources. Annually, the university and the CUF coordinate the development of a budget for the intended uses of the unrestricted funds raised by the foundation to include expenses for the CU-BoT. The majority of the funds were allocated toward programmatic support. The CUF does not dictate where the funds are to be applied, but monitors the spending to ensure it does not exceed the budget and meets the policies of the university. The funds are drawn down on a quarterly basis. The foundation covers many types of expenses not allowed by the university such as: spousal travel and meals, alcohol, gifts, flowers; and events and football tickets. The CUF’s budget for the CU-BoT expense account for FY2015-16 was $72,000.

Clemson’s Office of Internal Auditing conducts an audit every three years of the CU-BoT expenditures. An audit was conducted for FY2015-16 that included: a review of transactions for compliance with university policies and applicable governmental regulations; and a review of monthly reconciliations and system of internal controls. There were no findings or recommendations reported.

**B. Analysis of CU-BoT T&E Expenses**

The review included a five-year audit period of FY’s 2012 - 2016 (7/1/2011 – 6/30/2016). The population of CU-BoT T&E expenses was identified ($672,236) which was followed by a detailed review of a one year sample of expenses (24% of audit period) to provide an in-depth understanding of expenditure patterns.

1. **Total CU-BoT T&E for Five-Year Audit Period of FYs 2012 – 2016**

During the five-year audit period, the CU-BoT incurred $672,236 in T&E expenses for an average of $134,447/FY. Of this amount, Clemson paid expenses of $392,575 (58%), which were generally meals, lodging, and rental costs. The residual expenses of $279,661 (42%) were paid by CUF.
2. Analysis of FY2015-16 CU-BoT T&E Expenses

The SIG selected FY2015-16 as the sample period, to examine CU-BoT expenses to allow comparative analysis of multiple CU-BoT meetings and provide an in-depth understanding of expenditure patterns. The total expenditures posted to the CU-BoT departmental expense account for this period were $163,804, which included expenses associated with four board meetings (Summer, Fall, Winter & Spring), three teleconference meetings, three graduation ceremonies (August, December & May), fundraising events, as well as administrative costs that pertained to board business, such as supplies, equipment, printing, staff travel & meals, and etc., and other expenses related to the Executive Secretary of the Board of Trustees.

Of the $163,804 in expenses incurred during the sample period, $95,866 (59%) pertained to CU-BoT board meetings for which 100% were reviewed by the SIG. The residual expenses not contained in the detailed sample ($67,938) which when analytically reviewed, revealed a similar pattern of expenses as identified in the sample. These expenses included: $16,754 (10%) related to graduation events, which CU-BoT members were encouraged to attend; nominal administrative costs $22,622 (14%); and expenses related to marketing and fundraising activities hosted for trustees at athletic events $28,562 (17%), also included attendance by Clemson staff. These expenses included: transportation ($12,659); meals/refreshments ($13,817); and miscellaneous items ($2,086).

Interviews and a review of expenses for the sample period identified a typical CU-BoT meeting schedule lasting two and one-half days (lodging for 2 nights), with the exception of the Summer Retreat/CU-BoT meeting. The Summer Retreat/CU-BoT meeting was an annual planning meeting for the forthcoming year which was extended to four and one-half days (Wednesday – Sunday). The Summer Retreat/CU-BoT meeting was held at the Westin Poinsett Inn, Greenville (daily rate of $165 x 4 nights). The regular board meetings during FY2015-16 were held at the Clemson University Madren Conference Center & Inn, and lodging for the trustees was secured at the Clemson University James F. Martin Inn, at an average daily rate of $127 for two nights.

The normal CU-BoT meetings were not limited to only CU-BoT and its committees, but also included the seven emeriti trustees; Clemson Administrative Council (numerous representatives from the executive administrative staff of the university); as well as, representatives from different departments of the university; affiliated foundations; industry; and student representatives, all either reporting on specific matters or discussing information or concerns. In addition, the public was also invited to attend the open sessions. Committee meetings were held preceding the board meetings. Thus, the number of participants at the CU-BoT meetings varied throughout the day. For all meetings in FY2015-16, the Office of the Board of Trustees planned for 50 attendees for each committee meeting (8 committees) and 75 for the full board meetings. To accommodate larger crowds, the full board meetings were occasionally held in the hotel’s grand ballroom, or video conferenced into an overflow room such as the auditorium.

The costs for the four board meetings ($95,866) were categorized as follows: meals ($43,332); lodging ($26,253); snacks ($7,357); parking ($995); meeting rooms ($12,003); van rentals ($2,097); flowers ($562); BoT security ($1,060); baseball game tickets ($1,305) and miscellaneous items ($902). A detailed analysis of each of the four board meeting’s expenses is contained in Appendix G.

Expense classifications had some expected variations between CU-BoT meetings, with the exception of the dinner functions. The dinner functions had the widest variability in cost and participants ranging from $0 cost to $5,752, as some dinner events were sponsored or paid for by an affiliated entity or department of the university. For example, on Day 3 of the Fall CU-BoT Meeting (October 2016), trustees were invited to the
Hall of Fame dinner at no cost to them; while on Day 2 of the same meeting, trustees attended the Clemson Faculty Senate sponsored dinner reception for a total guest list of 48 attendees at an average meal cost of $49/person. In addition to the catered food ($2,594), the function included bar service ($1,317), at a total cost of $3,911 or $81/person. However, $2,500 (64%) of the reception cost was paid by the Clemson Faculty Senate.

Other examples included the Trustee Baseball Reception Dinner on Day 2 of the Spring CU-BoT’s meeting (April 2016), of which $1,402 (67%) of the dinner cost was paid by the university’s athletic department; and the Winter CU-BoT meeting luncheon that was held on Day 3, which was a University Development associated event to announce a major gift to the university, hosted and sponsored by the Advancement Division. The CU-BoT, as well as other university donors, alumni, faculty, and staff were invited to attend. No expenses associated with this event were paid from the CU-BoT budget.

Of the $141,182 in costs incurred by Clemson for the CU-BoT meetings and events, CUF funds were used to pay for a substantial amount of the expenses as detailed below:

<table>
<thead>
<tr>
<th>Total Cost</th>
<th>Costs Paid by CUF</th>
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<tbody>
<tr>
<td>Quarterly Board Meetings</td>
<td>$ 95,866</td>
</tr>
<tr>
<td>Graduation Events</td>
<td>$ 16,754</td>
</tr>
<tr>
<td>Athletic/Fundraising Events</td>
<td>$ 28,562</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$141,182</strong></td>
</tr>
</tbody>
</table>

Of the $95,866 costs incurred for CU-BoT meeting expenses during FY2015-16, a total of $40,294 (42%) was paid by a non-profit foundation or from the budget of another university department. The CUF paid $36,392 (38%), the Clemson Faculty Senate paid $2,500 (3%), and the Athletic Department paid $1,402 (1%).

3. **Analysis and Benchmarking CU-BoT T&E Expenses**

Relevant benchmarks and analysis provides data to assess CU-BoT’s current T&E policies and potential criteria to consider relative to Clemson’s current policy.

**a. CU-BoT Travel Expenses**

The CU-BoT Summer Retreat/board meeting expenses ($42,029) were excluded from the average cost calculations due to its four and one-half days length in order to have a comparative analysis of the regular board meeting expenses for two and one-half days. Based on the audit sample, the average expenses for three quarterly board meetings [Fall, Winter & Spring] was $17,945, which was comprised of lodging ($3,888); lodging taxes ($427); meals ($7,006); meeting beverage/snacks ($2,039); meeting room rentals ($4,001); van rentals ($304); and miscellaneous expenses ($280).

The state and federal governments have established travel benchmarks suitable for comparison to CU-BoT’s travel policy. It should be noted the state travel rates were used by non-IHL boards and commissions to reimburse travel expenses to attend board and commission meetings.

The 2016 federal travel rates were $50 meals/day and lodging averaged $88/day during FY2015-16, which excluded taxes. The 2016 state travel rates were $25 meals/day with the same federal lodging rates. The most reasonable benchmark would be to use the federal travel policy.
The average of these three months’ actual CU-BoT lodging and meal expenses compared to the average federal policy estimates are in the below table:

<table>
<thead>
<tr>
<th>Expense Classification</th>
<th>Fall CU-BoT Meeting</th>
<th>Winter CU-BoT Meeting</th>
<th>Spring CU-BoT Meeting</th>
<th>Avg. CU-BoT Travel Actual Expenses</th>
<th>Federal Travel Policy Estimate</th>
<th>Difference</th>
</tr>
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<tbody>
<tr>
<td>Lodging Costs</td>
<td>$3,185</td>
<td>$3,213</td>
<td>$3,740</td>
<td>$3,379</td>
<td>$2,699</td>
<td>$680</td>
</tr>
<tr>
<td>CU-BoT Meals</td>
<td>$2,969</td>
<td>$2,381</td>
<td>$3,423</td>
<td>$2,924</td>
<td>$1,850</td>
<td>$1,074</td>
</tr>
<tr>
<td>CU-BoT Spouses Meal</td>
<td>$100</td>
<td></td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Total</td>
<td>$6,254</td>
<td>$5,594</td>
<td>$7,163</td>
<td>$6,404</td>
<td>$4,549</td>
<td>$1,855</td>
</tr>
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[CU-BoT average lodging rates: Fall meeting $127; Winter meeting $119; and Spring meeting $135]

The CU-BoT daily average lodging rate ($127) and meal costs average ($75) exceeded comparable federal benchmark policies ($88 lodging; $50 meals), by 44% and 50%, and state benchmark policy ($88 lodging; $25 meals), by 44% and 200%, respectively. The federal policy applied to the average CU-BoT’s board meeting travel expense of $6,404 yielded an estimated expense of $4,549, which was 29% less than actual expenses.

The university’s travel policy allows for lodging rates other than GSA rates based on an exemption granted each year by a state budget proviso for institutions of higher learning (See Appendix D). Although the average rate paid by Clemson for its CU-BoT meetings ($127) was $39 higher than the federal rate, the university negotiated discounted rates for the meetings which were in-line with comparative hotels in the area. The CU-BoT meetings were held at the Clemson University Madren Conference Center & Inn and lodging was secured at the Clemson University James F. Martin Inn. These facilities are owned by a Clemson affiliated foundation which supports the university.

b. **CU-BoT Event Expenses**

Meeting event expenses were also comprised of expenses for non-BoT participants which included daily breakfast; catered beverage/snack table; catered lunches and dinner functions; and lodging expenses. Generally, a beverage/snack table was catered throughout the workday. A review of the $17,344 event expenses during the one year audit period yielded an average $5,781 event expense per board meeting for non-BoT participants as detailed below:

<table>
<thead>
<tr>
<th>Event Expense Classifications</th>
<th>Fall CU-BoT Meeting</th>
<th>Winter CU-BoT Meeting</th>
<th>Spring CU-BoT Meeting</th>
<th>Total Event Expenses</th>
<th>Average Expense per CU-BoT Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging: non-BoT attendees</td>
<td>$555</td>
<td>$528</td>
<td>$599</td>
<td>$1,682</td>
<td>$561</td>
</tr>
<tr>
<td>Breakfast: non-BoT attendees</td>
<td>$457</td>
<td>$518</td>
<td>$466</td>
<td>$1,441</td>
<td>$480</td>
</tr>
<tr>
<td>Lunch: non-BoT attendees</td>
<td>$1,619</td>
<td>$992</td>
<td>$2,526</td>
<td>$5,137</td>
<td>$1,71</td>
</tr>
<tr>
<td>Dinner Function: non-BoT attendees</td>
<td>$3,532</td>
<td>$593</td>
<td>$1,539</td>
<td>$5,664</td>
<td>$1,88</td>
</tr>
<tr>
<td>Meeting Beverage/Snacks non-BoT</td>
<td>$1,435</td>
<td>$953</td>
<td>$1,032</td>
<td>$3,420</td>
<td>$1,14</td>
</tr>
<tr>
<td>Total</td>
<td>$7,598</td>
<td>$3,584</td>
<td>$6,162</td>
<td>$17,344</td>
<td>$5,781</td>
</tr>
</tbody>
</table>

The state and federal governments do not permit its agencies to expend public funds for “event” expenses. As noted earlier in this report, legislative exceptions allowed these expenses to be paid by affiliated non-profits. CUF paid $15,069 (87%) of these costs in accordance with the university’s established procedures.
c. **CU-BoT Athletic Expenses**

In accordance with its Post Season T&E Policy, members of the CU-BoT and Clemson emeriti trustees (20) were offered complimentary athletic tickets, hotel and transportation accommodations to attend post-season athletic games in which Clemson participated to include: home games; post-season bowls; ACC and NCAA championship events, as well as any Clemson-hosted hospitality event paid by the athletic department. The university purchased tickets for a skybox for the CU-BoT for home football games.

As alleged by the media, the CU-BoT and emeriti trustees incurred “more than $100,000 to cheer on the Tigers at out-of-state football games” ([see Appendix B](#)). The SIG determined for FY2015-16, CU-BoT and emeriti trustees received season athletic tickets and accommodations totaling $198,306, comprised of hotel accommodations ($55,307); airfare ($8,637); and tickets ($134,362). These expenses included skybox season tickets for 7 home games (4 tickets per game); and tickets for 5 away games, and 4 championship and bowl games (2 tickets per game). These costs were paid by the university’s athletic department.

**IV. Impact and Role of Clemson University Foundations**

Private foundations chartered to benefit public agencies and universities are common in South Carolina and across the nation. Among the advantages of these foundations are their ability to attract donations in support of university goals and objectives. 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 can provide greater flexibility and expertise in investing accumulated funds. Foundations provide another mechanism for attracting private funding to support university projects.

The relationship between Clemson and its affiliated foundations is a complex and mutually dependent one. Private contributions to the university were designated for student financial aid; endowed professorships; salary supplements for faculty and administrators; equipment; and land acquisitions. The foundations assisted in sponsoring research, constructing buildings and classrooms, and were used in the long-range growth and development of the university. During FY2015-16, private gifts and contributions to the foundations have greatly benefited the university to include $6.8 million in student aid, $5.3 million for faculty support; and $4.7 million for department/program enhancements. ([See Appendix F - Clemson University Endowment Presentation](#)).

Clemson’s related 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 was a separately chartered corporation, independent of the university, with its activities governed by a board of directors. Clemson maintains contractual agreements with its foundations to assure their efforts support the university in its mission. These foundations were audited annually by an independent audit firm, and the reports submitted to the university. Data on each foundation was included in Clemson’s annual CAFR. For FY2015-16, the university’s annual audit was conducted by the independent audit firm Elliott Davis Descosimo, LLC., which disclosed no material weaknesses. ([See Clemson FY2016 CAFR at 6/30/16](#)).

Donations/gifts fall into three categories: permanently restricted, temporarily restricted, and unrestricted. Most donations and gifts (approximately 95 percent) were restricted to specific purposes. Unrestricted gifts were 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 Clemson over the long term. An endowment provides a consistent, reliable, perpetual source of income to fund programs and services. The larger the endowment, the greater the income, which results in more opportunities available for student aid, faculty support and university programs.

In accordance with the spending policy adopted by the CU-BoT in 1998, each year, a portion of an endowment’s total return is distributed for the purpose for which the endowment was established and the remaining income reinvested. To accomplish this, the CUF Board of Directors annually reviews the spending policy and sets a payout rate (FY2015-16, the rate was 4.0 percent) applied to a moving average to determine the amount made available for spending in the coming year. Using this methodology, over the long-term, endowment funds grow as well as the annual payout, thus mitigating the effects of inflation and sustaining strong purchasing power. The 4% payout rate was consistently applied since FY2009-10 (See Appendix F - Clemson University Endowment Presentation).

Detailed below are Clemson’s affiliated foundations showing their revenue support provided to the university during FY2015-16 (Information obtained from Clemson’s FY2015-16 CAFR, and the foundation’s annual audit report & articles of incorporation):

**Clemson University Foundation** (CUF) was established in 1933 to provide a private/public partnership vehicle for raising and managing money for the university. The CUF manages donated funds and distributes their earnings according to guidelines monitored and authorized by its governing board. CUF provided $20,328,057 in funds earmarked from private contributions to the university to support university scholarship, fellowship, professorship, and research programs. CUF also reimbursed the university $946,903 for salaries for time devoted by university employees to CUF and to fund other university initiatives; and $140,165 for operating lease payment for office space. CUF also provided capital grants and gifts totaling $13,738,711 for university building projects. As of 6/30/2016, CUF had remaining commitments of approximately $2,228,717 for university building projects.

Despite CUF being a separate entity, it operates in close coordination with the university. Further, CUF’s mission is aligned with Clemson’s inasmuch as CUF’s mission is to benefit the programs and further the mission of the university. CUF is not a public entity and its funds are not subject to public fund laws. However, any excessive T&E expenses incurred by the CU-BoT and funded by CUF diverts those funds from Clemson’s mission programs.

**Clemson University Land Stewardship Foundation** (CULSF) was established in 2010 to serve the needs of Clemson in the management, development, and investment of real property and related assets. CULSF reimbursed the university $194,331 for salaries for time devoted by university employees to CULSF.

**Clemson University Research Foundation** (CURF) was established in 1981 to solicit research grants and contracts, and contract with the university to perform the research. Revenues totaling $1,547,739 from CURF were recorded by the university as operating non-governmental grants and contracts, and grants and contracts receivable included $528,049 due from CURF at June 30, 2016. CURF reimbursed the university $81,485 for salaries for time devoted by university employees to CURF.

**IPTAY** was established in 1934 exclusively to raise funds to support Clemson’s athletic department and programs. IPTAY contributed $19,253,796 for athletic scholarships, and capital and operating expenses. An additional $40,000 of IPTAY funds remains in a CUF-held endowment for future use by the university. Prior to July 1, 2014, IPTAY existed as part of the university (with fund restrictions for university athletics programs). Effective July 1, 2014, IPTAY was formed as a separate tax exempt organization.
Clemson Architectural Foundation (CAF) was established in 1956 to provide supplemental financial support and assistance to the university’s architecture, construction science and management, planning and landscape architecture, and visual arts programs. CAF contributed $199,040 in support to Clemson University.

Clemson University Continuing Education and Conference Complex Corporation (CUCECCC) was established in 1993 to construct, operate and manage the golf course and hotel components of Clemson’s Continuing Education and Conference Complex.

Clemson Research Facilities Corporation (CRFC) was established in 1990 to construct, rent, or lease certain facilities that support the mission of the university.

Clemson University Real Estate Foundation (CUREF) was established in 1990 to hold and invest acquired real estate property. At the direction of Clemson, CUREF receives gifts or public grants of real property and related assets through endowment giving, fundraising and other Clemson programs.

There were no direct funds transferred to support Clemson from the CUCECCC, CRFC, or CUREF. These entities had no transactions with the university and did not significantly require the time or service of any university employees.

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.

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

CU-BoT expenses reported in the media, two dinners, $7,082 and $6,153, incurred in Charleston in FY2011-12; a $2,999 board dinner for the trustees attending the 2016 national championship football game in Arizona; and a $3,093 dinner and baseball game tickets in 2015, appeared to be lawful expenses of Clemson, a state agency, for which 90-100% of these expenses were paid by CUF, its affiliated non-profit in accordance with the university’s established procedures.

The SIG determined the dinner expenses in Charleston were related to the FY2011-12 CU-BoT Summer Retreat/board meeting held in Charleston, which provided the trustees an opportunity to tour the site for the Clemson University Restoration Institute (CURI) located in North Charleston. The determination was made that it is vitally important that Trustees see firsthand the assets that are associated with Clemson to include opportunities to visit the innovation campuses. Charleston is the home of several important Clemson programs including the Charleston Architecture Center, a Joint Program in Historic Preservation with the College of Charleston, a Joint Bioengineering Program with the Medical University of South Carolina, Clemson Extension, and the Coastal Agriculture Experiment Station.

Clemson can legally establish T&E policies to provide generous benefits to its trustees and CUF can pay generally 50-100% of the expenses because it does not violate State law. As noted earlier in this report, legislative exception and funding practices of IHL’s affiliated non-profits create conditions for IHL events to be paid by affiliated non-profits.
A. Appreciation for CU-BoT Members’ Volunteer Service

The legal authority and affiliated IHL’s non-profit funding practices create the latitude to show appreciation to its members, who volunteer substantial time without compensation for at least four board meetings per year. Those members also make substantial donations to the university. The CU-BoT members’ cumulative gifts and commitment in support of Clemson totaled more than $24 million. It was noted some CU-BoT members also served on the CUF board and other university foundations, also without compensation, while similar state “Authority” boards receive salaried compensation.

B. Financial Impact of Clemson’s Actual T&E Compared to Benchmarks

Both state and federal governments do not permit their agencies to expend public funds for “event” expenses, such as the average CU-BoT’s meeting event expense of $5,781, of which $5,030 (87%) was paid by the CUF. Based on a combination of state law and the common practice of IHL’s affiliated non-profits providing support to IHLs, this review is not challenging the legal basis for the CU-BoT’s “event” expenses. However, the CU-BoT oversees a state agency providing event expenses during its board meetings, which are not available to the majority of other state agencies’ boards and commissions outside of IHL.

C. Reputational Risk Management

Perhaps the most relevant factor to consider moderating the T&E expenses is to mitigate the risk of damaging Clemson’s likely greatest asset – its reputation. When key stakeholders (students, parents, donors, and taxpayers) paying Clemson their hard earned money, read in the paper about CU-BoT members alleged excessive spending, their trust is lost. From the public’s optic, lavish BoT dinners held in Charleston and Arizona while attending the national championship football game, and alcohol purchases paid for Clemson officials, can reasonably be expected to create an impression or suspicion among the public of Clemson violating the public’s trust. (See Appendices B & C - Charleston Post & Courier and Independent Mail articles)

Creating the mere perception of abuse or wasteful spending, real or perceived, damages the trust and confidence of stakeholders, which Clemson 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).

VI. Way Forward

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

This review found the CU-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 CU-BoT’s travel expenses appears to have given consideration to minimizing costs and allocating costs beyond its normal expenditure policy to CUF, however, an analysis of the CU-BoT current T&E policy benefits would deem them as,
conservatively, “generous” by governmental standards, which creates an opportunity cost of using CUF funds
for higher priority Clemson needs. As a result, Clemson, a state agency, and the CU-BoT, public servants, should consider moderating its travel and event spending, where the corresponding reduction of using its athletic funds and affiliated non-profit’s funds can be redirected to its core mission.

To effectively drive down tuition in a state with the 8th highest average tuition in the nation, it will take a renewed IHL fiduciary mindset to align its employees’ decisions, both big and small, to CHE’s affordability strategy in order to drive down IHL costs.

VII. Findings and Recommendations

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

Finding #2: The CU-BoT T&E expense policies and CUF’s corresponding payments for CU-BoT expenses did not violate state law.

Recommendation #2a: The General Assembly should consider revising its annual budget proviso creating an exception for institutions of higher learning (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 meal limit 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 CU-BoT T&E policies and corresponding travel and event costs paid by CUF were inconsistent with CU-BoT’s public nature, public expectations, and reputational risk management; as well as, created an opportunity for funds not being available for Clemson’s core mission programs and higher priority needs.

Recommendation #3a: Clemson should consider moderating its current T&E policy for CU-BoT expenses to be more in-line with federal and state benchmarks, consistent with the public’s expectation of reasonable travel related expenses for state officials.

Recommendation #3b: The General Assembly should consider clarifying the appropriateness of IHL’s current practice of affiliated non-profits paying for IHL’s events and BoT meeting expenses, possibly through re-evaluation of state statute, Section 59-101-187.
LIST OF APPENDICES

A. Letter from the South Carolina Commission on Higher Education to the State 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. Independent Mail, Anderson Independent Mail., news article, published 9/9/2016;

D. Appropriations Proviso 117.20(A): re exception for travel expenses at institutions of higher learning; and (E): travel reimbursements are governed by the rates provided in paragraphs A and I;

E. SC Code of Laws Section 59-101-187. Events recognizing academic and research excellence; funding sources; and noteworthy accomplishments of members of the faculty and staff, students, and distinguished guests of the institution;

F. Clemson University Endowment Presentation; and

G. Analysis of the Expenses for the Four CU-BoT Meetings Held During FY2015-16