

LAW ENFORCEMENT SENSITIVE

Office of the State Inspector General

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**Misconduct Investigation and Review of Financial
Management Issues of the Executive Director of the
Lander Foundation and Vice-President of
Advancement, Lander University**

Case# 2016-1975-I

DATE: May 2017

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I. Executive Summary

In October 2016, the Lander University (LU) president requested the Office of the State Inspector General (SIG) to conduct an independent review of questionable spending, reimbursement, and fundraising practices conducted by Ralph Patterson, the former Lander Foundation (Foundation) executive director and LU Vice-President (VP) of Advancement. Numerous questionable practices were identified in an independent accounting review of the Foundation's financial records which the LU president determined were reportable to the SIG as potential misconduct or fraud.

The SIG determined the Foundation did not maintain a financial policy which governed the Foundation's executive director and staff on the use of the Foundation's credit card accounts and the expense reimbursement process. Equally concerning were the blurred lines of authority over Patterson's daily activities as the Foundation's executive director and as LU's VP of Advancement. The Foundation's Board of Trustees' misguided belief Patterson's actions as Foundation executive director were the responsibility of the LU president was complicated by the lack of a memorandum of understanding or operating agreement between the Foundation and LU. The presence of an operating agreement between a university and its nonprofit foundation is considered a best practice in higher education in order to delineate the roles and responsibilities of each entity and staff. Without any checks and balances, or defined lines of authority, Patterson's management of Foundation resources placed the endowment at a high risk for abuse and fraud.

Between 5/1/2013 and 6/30/2016, Patterson charged over \$41,000 to the Foundation's credit card account. While some of the charges were for official Foundation business, the SIG determined a significant portion of the charges were either personal in nature or unrelated to official Foundation business. Chief among the expenses charged to the Foundation's accounts and reimbursed to Patterson were frequent trips to the Denver, Colorado area where Patterson maintained personal friendships and family ties, to include his mother. Fourteen questionable trips to Denver were taken by Patterson in his capacity as the Foundation's executive director and LU VP of Advancement under the justification of "campaign" or "Boedecker," which referred to the Boedecker Foundation, a major donor to the Foundation for LU scholarships. In total, Patterson expended more than \$10,600 for these trips to Denver.

Three specific Denver trips stand out as illustrative of Patterson's unbridled use of Foundation resources for personal reasons. In December 2015, Patterson attended a University of Colorado (CU) basketball game which included the dedication of a practice arena by the Boedecker Foundation in honor of the retiring CU basketball coach. In October 2014, Patterson and [REDACTED], former LU [REDACTED], attended a CU football game under the auspices of Foundation travel at the request of [REDACTED] for the Boedecker Foundation. Finally, in March 2014, Patterson traveled to Las Vegas, Nevada for two days to attend the PAC-12 college basketball tournament, before traveling on to Denver for the remainder of the trip, and justified under the heading "[REDACTED] Boedecker Campaign."

In each of these instances, Patterson approved his own travel, travel justification, and reimbursement of expenses. When questioned by the SIG about travel approval, Patterson stated he did not need a higher level of approval which is contrary to university protocol where LU vice-presidents needed travel approval from the LU president. [REDACTED] advised the SIG he never requested Patterson to travel

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or expend Foundation resources on behalf of the Boedecker Foundation. [REDACTED] stated Patterson frequently contacted him on the spur of the moment to provide a verbal update on the Foundation's endowment when Patterson came to the Denver area. However, Patterson's own words best captured his management of Foundation travel resources when he commented to the interim Foundation executive director as he vacated his LU position, *"now I have to find another way to see my mother."*

Patterson's misuse of Foundation financial resources extended to his own approval for expense reimbursements associated with his personal sports broadcasting business; family vacations; Greenwood Country Club membership expenses; and personal purchases of clothing and souvenirs at the 2014 U.S. Open and 2015 Master's golf tournaments. In each of these areas, Patterson approved his own reimbursements and caused Foundation funds to be disbursed under the justification as "discretionary, travel, or campaign."

Patterson failed in his fiduciary role as the Foundation's executive director. He allowed for the expenditure of funds which had no bearing on the Foundation's mission. In certain instances, Patterson's failure to exercise fiduciary oversight may have exposed the Foundation and the university to violations of state and federal tax codes.

Patterson, as Foundation executive director, accepted in-kind donations of horses, semi-precious gems and diamonds; all of which were presented with assessments and appraisals in hand. In one instance, a horse was donated with the value of \$80,000, only to be sold a short time later for \$10. In 2013, the donations of semi-precious gems and diamonds were made by two local physicians who placed the value at more than \$64,000. Patterson signed and acknowledged the contributions on IRS Form 8283 and gave each physician a separate IRS form in the same amount. In 2017, the university obtained an independent appraisal of the gems which placed the value at approximately \$42,000.

Other examples of Patterson's mismanagement of Foundation resources were: (1) authorization of more than \$93,900 in athletic department funds, held in trust by the Foundation, as stipends to various athletic department staff and a concessions contractor at the direction of the [REDACTED] [REDACTED] without deducting income tax or issuing W-2s or 1099s to the recipients; (2) the purchase of 25 week-long badges for the 2016 Heritage Classic golf tournament as a sponsor fee; and (3) the reimbursement for the personal purchase of Clemson football and basketball tickets for the 2014 – 2016 seasons to [REDACTED], [REDACTED], [REDACTED].

Patterson's mismanagement of Foundation funds through misallocation, abuse, and misappropriation will have a direct financial impact to the LU student body and its enrollment efforts. The LU president estimated that a \$1,000 scholarship provided by the Foundation to the university for prospective students who pay full tuition results in a net gain of \$19,000 in gross tuition and fees. Consequently, any misuse of Foundation funds which limits scholarship funding can have the reverse effect in student enrollment and associated revenue to the university.

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- A. Interviews (contained in attached CD-ROMs)
- B. Exhibits (contained in attached CD-ROM)

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II. Administrative

The South Carolina Office of the State Inspector General (SIG) is not an adjudicative or recommending authority. The SIG prepares an investigative summary reporting the facts based on the collection of evidence primarily through interview and record review. As part of its mandate, the SIG conducts misconduct investigations and provides investigative and financial analysis support to state-wide agencies pertaining to fraud allegations. The SIG provides its investigative summary to the appropriate authority, which in this case is the president of Lander University (LU), the State Law Enforcement Division (SLED), and the South Carolina Department of Revenue (DOR) to pursue potential administrative, civil, or criminal remedies.

Based upon specific findings uncovered during the course of this investigation and review, the SIG considers this report to be **LAW ENFORCEMENT SENSITIVE**. As such, all Freedom of Information Act (FOIA) inquiries received by the SIG will be forwarded to LU, SLED, and DOR. These agencies will have all of the SIG's records collected during the course of this review and analysis, and will be in a position to determine when documents are releasable under FOIA.

The SIG's points of contact during this investigation were Dr. Richard Cosentino, LU president; J. Adam Taylor, LU Chief of Staff and Vice-President (VP) for Governmental Affairs; and Van Taylor, LU Interim VP of Advancement and Executive Director of the Lander Foundation, Inc. (Foundation). The SIG extends its appreciation for the cooperation and support provided by the LU staff during the SIG's participation in this matter.

Where appropriate, the specific Appendix source (interview or record) for facts contained in a paragraph are identified in "[...]" at the end of at the end of a paragraph to facilitate review of foundational documents used for this summary report.

III. Background

A. Predicate

In October 2016, the LU president requested the SIG's assistance in an independent review of questionable spending, reimbursement, and fundraising practices conducted by Ralph Patterson, the former Foundation executive director and LU VP of Advancement, and other current and former LU staff members. The LU president had previously authorized an independent accounting review by Charles W. Schulze, CPA, LLC, of the Foundation's financial records which identified numerous questionable practices. The LU president determined these findings were reportable to the SIG for further review as potential misconduct and fraud. [B-48]

A preliminary review of the independent accounting report identified various questionable financial transactions, which included the following: misuse of Foundation credit cards for personal use by Foundation staff; reimbursement of personal expenditures under the guise of "capital campaign" or fundraising; unauthorized purchase of property; questionable marketing and campaign methods and purchases; and unauthorized travel and excessive use of the Foundation credit card by Patterson.

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B. Scope of Review

On 11/30/2016, the SIG initiated its misconduct investigation and financial management review (Case # 2016-1975-I). The scope of the review was to:

- Identify the extent of the oversight and supervision of the Foundation, its executive director and staff, by the Foundation Board of Trustees;
- Determine any and all governing policies and procedures pertaining to the use of Foundation accounts, credit cards, and other expenditures;
- Determine the financial impact, if any, to the Foundation's financial status related to questionable expenditures and reimbursements by Foundation staff;
- Identify any misconduct of current or former LU employees and refer this to LU for further action; and
- Refer to the appropriate law enforcement authority any suspected violations of criminal statutes.

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. State Criminal Statute

The misconduct investigation and financial management review conducted in this matter identified potential violations of state criminal statutes and tax codes. The SIG contacted SLED and DOR during the course of this investigation to alert these agencies to these potential violations. As such, this report and all supporting documentation will be referred to SLED and DOR for further review.

D. Overview of the Lander Foundation

Lander University (LU), originally an outgrowth of Williamston Female College, moved to Greenwood, South Carolina in 1903 and became Lander College in honor of its founder. It was operated by the Conference of the Methodist Church until 1948. In 1948, the Lander Foundation was formed to receive the assets of the college and take over its operation. In 1972 by Act 1393 of the state legislature, the assets of the college were transferred to the state and LU became a state-supported institution of higher learning. The Lander Foundation (Foundation) provides a private/public vehicle for raising funds and managing money through alumni annual giving funds, and endowment funds for scholarships and to assist the mission of LU. The Foundation applied for and received an exemption from federal income tax in 1975.

The Foundation is registered in South Carolina as a not-for-profit entity and, per its bylaws, is governed by a Board of Trustees (Board) and is authorized to acquire property and funds and use the property and funds in furtherance of the welfare of LU. The Foundation is considered a component unit of the university and the results of its operations are included in LU's financial statements. However, there was no memorandum of understanding or agreement between the Foundation and LU.

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IV. SIG Summary Analysis

The SIG investigative and financial management review encompassed: (1) a review of reimbursement statements of the Foundation; (2) review of the Foundation credit card usage history and supporting documentation; (3) review of donation records of certain property to the Foundation, business office and file records; (4) a review and analysis of LU payroll records of relevant employees; (5) interviews of relevant donors, and Foundation and LU staff; and (6) review of all Foundation policies governing credit card expenses and reimbursements. The time period of the records analysis was 5/1/2013 – 6/30/2016.

A. Lander Foundation Credit Card Usage by Ralph Patterson

The SIG determined the Foundation did not have a written policy governing the use of the Foundation credit card by Patterson and others. Interviews conducted of Foundation staff members, Foundation Board members, and university personnel determined while there was no policy governing the Foundation's credit card usage and reimbursement process even though it was understood the Foundation's financial resources were intended only for official Foundation business. It was further understood any personal charges made with the credit card was the responsibility of the assigned card holder.

Between 5/1/2013 and 6/30/2016, Patterson charged \$41,198.52 to the Foundation's credit card account. While some of the charges were for official Foundation business, the SIG was able to determine a significant portion of the charges were either personal in nature or unrelated to official Foundation business. Chief among the expenses charged to the Foundation's accounts and reimbursed to Patterson were frequent trips to the Denver, Colorado area. Patterson maintained family ties and personal friendships to the Denver and Boulder, Colorado areas, to include his mother. [B1]

B. Ralph Patterson's Frequent Travel to Denver, Colorado

The SIG identified 14 questionable trips to the Denver, Colorado area taken by Patterson in his capacity as the Foundation's executive director and LU VP of Advancement under the justification of "campaign" or "Boedecker." The Boedecker references were associated with the Boedecker Foundation which was a major donor to the Foundation for LU scholarships. The [REDACTED] for the Boedecker Foundation was [REDACTED], a personal friend of Patterson and a Denver area resident. As illustrated in the Table A, Patterson expended a total of \$10,692.21 for these trips to Denver. [B1, B2-B17]

Table A: Ralph Patterson Frequent Travel to Denver, Colorado

Dates of Travel	Destination	Event Attended	Receipts Justification	Foundation Credit Card	Direct Reimbursement	Total Costs
2016						
1/29 – 02/01	Denver, CO	Coach Tom Apke, CU basketball reunion	[REDACTED] BOE Found. "Travel"	\$801.58		\$801.58
2015						
1/8/15 – 1/11	Denver, CO	Broomfield, CO	"Boedecker" "Travel" "Campaign"	\$386.96		\$386.96
3/11 – 3/15	Denver, CO (2 nd ticket to Las Vegas)	Unknown travel	"Boedecker campaign" "Travel"; "Campaign"	\$1,297.37	\$659.63	\$1,957.00
11/13	Denver, CO	Unknown Travel	"Travel"	\$224.20		\$224.20

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Table A (cont.) Ralph Patterson Frequent Travel to Denver, Colorado

Dates of Travel	Destination	Event Attended	Receipts Justification	Foundation Credit Card	Direct Reimbursement	Total Costs
2015						
12/1 – 12/3	Denver, CO	CU basketball game; dedication of CU practice arena	"Campaign" "travel" "Boedecker"	\$292.58	\$238.00	\$530.58
12/17	Denver, CO	Unknown travel	"Travel"	\$148.00		\$148.00
2014						
3/12 – 3/19	Denver, CO via Las Vegas for 2 days	PAC-12 basketball trnt. Las Vegas; MGM Grand Hotel	"Boedecker" "travel" "campaign"	\$840.35		\$840.35
7/30 – 8/4	Denver, CO	Yearly family vacation to CO	"Boedecker" "campaign"	\$812.19		\$812.19
10/3 – 10/6	Denver, CO (Airfare/hotel for two)	CU football game w/ LU [REDACTED]	"Boedecker tailgate" "Campaign"	\$1,693.66	\$955.28	\$2,648.94
11/18 – 11/20	Denver, CO	Mother's birthday	"Travel" "Campaign"	\$244.67	\$84.26	\$328.93
2013						
5/17 – 5/23	Denver, CO	Boulder, CO	"Boedecker" "Campaign"	\$533.48		\$533.48
8/22 – 8/30	Denver, CO	Boulder, CO	"Travel" "Campaign"	\$859.19		\$859.19
11/18 – 11/19	Denver, CO	Mother's birthday	"Campaign" "Travel"	\$475.13		\$475.13
12/23 – 12/27	Denver, CO	Christmas	"Travel" "Campaign"	\$145.68		\$145.68
TOTALS				\$8,755.04	\$1,937.17	\$10,692.21

However, closer scrutiny of the actual events attended by Patterson on these trips determined there was no Foundation business associated with these trips. The following three trips illustrate the manner in which Patterson concealed his efforts to travel back to his home state under the guise of official Foundation travel.

Denver Travel, 12/1 – 3/2015 (Ralph Patterson)

Between 12/12015 and 12/3/2015, Patterson traveled to Denver for the purpose of Foundation business under the heading of "campaign" and "Boedecker Foundation." The university's travel records identified Patterson as not only the "traveler," but he also approved his own travel as the "department head" along with the final travel approval. However, a comparison of the trip dates and Patterson's social media posts indicated Patterson attended a University of Colorado (CU) basketball game. This event included the Boedecker Foundation's dedication of a practice facility in honor of the former CU coach on 12/2/2015. The total cost to the Foundation for this trip was **\$530.58**. [B14]

While Patterson confirmed the expenses for this trip were charged to the Foundation's credit card, he advised the SIG his travel did not require specific approval by anyone. However, the LU VP of Governmental Affairs advised the "self-approval" travel process utilized by Patterson did not follow established LU travel protocol. Specifically, all LU travel conducted by its vice-presidents required the approval of the LU president. [A6]

[REDACTED], Boedecker Foundation, confirmed to the SIG he was personally acquainted with Patterson for several years, and had donated significant amounts of money to the LU based upon this relationship. [REDACTED] advised that Patterson frequently visited his (Patterson's) family in the Denver area, and on several occasions contacted [REDACTED] and updated him on the "Honors Scholarships." [REDACTED] stated these unplanned visits usually amounted to nothing more than a quick verbal update.

[A10]

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██████████, ██████████ advised the SIG he believed he approved two trips for Patterson to go to travel to Denver; however, LU records indicated no such approval was given by ██████████. A review of Foundation Board minutes and interviews of specific Board members found no approvals were given for Patterson's travel to Denver. Foundation Board members, while aware of Patterson's frequent travel and family connections to the Denver area, were of the understanding Patterson answered specifically to the LU president. [A9, A1 – A5, A7-A8, B47]

Denver Travel, 10/3 – 6/2014 (Ralph Patterson and ██████████)

Beginning in August 2014, Patterson paid for two airline tickets in the names of Patterson and ██████████, ██████████, with the Foundation credit card. In addition, Patterson utilized the Foundation credit card to purchase tickets to a CU football game on 10/4/2014, rental car, and meals. Patterson utilized a personal credit card for the two hotel rooms and other miscellaneous items. However, Patterson approved his own reimbursement of his personal credit card expenses. The total cost to the Foundation for this trip was **\$2,648.94**.

The receipts associated with this trip were marked "campaign" and/or "Boedecker Foundation." However, subsequent interviews with Patterson, ██████████, ██████████ and ██████████ identified conflicts in their understanding of this trip. Patterson advised the SIG he was invited by ██████████ to the football game for a "tailgate thing." ██████████ stated he never invited Patterson to Colorado for Foundation business. ██████████ advised the SIG ██████████ went to Denver at Patterson's invitation, and that ██████████ and Patterson went to the game and stopped by ██████████ tailgate to have a beer. ██████████ advised ██████████ was unaware of any CU football game travel by Patterson and ██████████. [B17, A6, A9, A11]

Las Vegas/Denver Travel 3/13 – 19/2014 (Ralph Patterson)

On 3/13/2014, Patterson traveled from Greenville, SC to Las Vegas, NV and stayed two nights at the MGM Grand Hotel. The hotel reservation and charges were made with the Foundation credit card. Patterson's social media posts indicated he attended the PAC-12 College Basketball Tournament to follow the CU Buffalos. On 3/15/2014, Patterson flew from Las Vegas to Denver where he rented a car and traveled to Boulder, CO. Restaurant receipts and Patterson stayed at the Hotel Boulderado receipt was labeled "██████████ Boedecker Campaign." On 3/19/2014, Patterson flew back to Greenville, SC. A total of **\$840.35** in expenses was charged against the Foundation credit card or reimbursed to Ralph Patterson. [B7]

The following year (3/11 – 15/2015) a similar trip was made by Patterson to Denver, CO. The initial flight reservation indicated travel was for Charlotte, NC to Las Vegas, NV, along with a hotel reservation to the MGM Grand Hotel for the same PAC-12 college basketball tournament. However, Patterson's actual travel occurred from Charlotte, NC to Denver, CO. Among the various travel justifications listed on hotel and restaurant receipts were "██████████ B. Foundation," "Boedecker Campaign," and "██████████ Boedecker campaign." A total of **\$1957.00** in expenses were paid for by the Foundation for this trip, which included airfare, rental vehicle, meals, hotel and parking. This also included an additional hotel charge of \$183.25 which was requested and reimbursed on two separate occasions to Patterson. [B11]

The most telling and self-incriminating statement made by Patterson occurred in July 2016 as he was preparing to leave his position at LU when he commented to the interim Foundation executive director, *"now I have to find another way to see my mother."*

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C. Ralph Patterson's Secondary Employment Travel Expenses

While employed by the Foundation and LU, Patterson maintained a self-employed free-lance sports broadcasting business for several universities and colleges whose sporting events were broadcast on the ESPN network and other media outlets. The SIG confirmed through Foundation financial records and Patterson's social media posts that Patterson was reimbursed for his self-employment travel expenses, which were unrelated to his official Foundation or university employment. [B1, B18-B22]

The following Table B illustrates the expenses reimbursed to Patterson by the Foundation on his own approval for his secondary employment travel.

Table B: Foundation Reimbursements for Patterson's Secondary Employment

Dates of Travel	Sports Broadcast Event	Location	Media Outlet	Receipts Justification	Foundation Credit Card	Direct Reimbursement	Total Trip Costs
1/24/2015	High Point Univ. -vs- Radford Univ. college basketball game	Radford, VA	"Eye on Sky & Air Sports"	"[REDACTED] Mass/Com" "Campaign"	\$488.00		\$488.00
12/27-30/2015	Beach Ball Classic	Myrtle Beach, SC		"Campaign" "[REDACTED] Mass/Com"	\$52.98	\$329.98	\$382.96
1/16/2016	High Point Univ. -vs- Coastal Univ. college basketball game	High Point, NC	ESPN3	"Consult [REDACTED]" "Travel"	\$218.45		\$218.45
3/11/2016	Big South Women's Basketball Tournament	Asheville, NC	ESPN3	"Travel"	\$166.51	\$35.14	\$201.65
TOTALS					\$925.94	\$365.12	\$1,291.06

D. Other Reimbursements Authorized by Ralph Patterson

Patterson personally benefitted from Foundation funds through direct reimbursements and credit card charges which were not official Foundation or LU business. The following examples set forth Patterson's pattern of abuse of the Foundation's expense reimbursement process.

Family Vacations to Charleston, South Carolina

In October and November, 2013, Patterson vacationed with his family in Charleston, SC on two separate occasions. Expenses incurred by Patterson for this travel were paid by the Foundation in the amount of **\$595.11**. Patterson's social media posts connected several credit card charges and reimbursements which all appear to be strictly personal in nature and unrelated to university or Foundation business.

[B23 -B24]

Greenwood Country Club Charges and Reimbursements

The university and the Foundation each maintain memberships with the Greenwood County Club for numerous events, as ties to the community, and as a venue to meet and greet donors, sponsors, and supporters of the university.

A review of the Foundation's Greenwood County Club membership account details determined the monthly statements were mailed to Patterson's post office box in Due West, South Carolina under the account name of Mr. & Mrs. Ralph Patterson. Many of the monthly bills were paid by a business check titled "SPORTS JAM WITH RALPH PATTERSON." From May 2013 – June 2016, a total of

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\$3,207.13 was reimbursed to Patterson after approving his own reimbursement of membership charges. An additional \$1,586.45 was charged on the Foundation credit card and labeled as "discretionary" by Patterson. [B29]

Miscellaneous Personal Purchases and Reimbursements

Between May 2013 and June 2016, approximately \$2,592 in purchases of a personal and unofficial nature were made by Patterson with Foundation financial resources. Among these purchases were theater tickets in Boulder, Colorado; mail order cigars; men's and women's polo shirts at the Nike Factory Store in Gaffney, South Carolina; event souvenirs from the 2014 U.S. Open, Pinehurst, NC; golf attire from the 2015 Masters golf tournament, Augusta, Georgia; and nine pairs of Crocs shoes. Also during this time period, Patterson charged \$4,458.06 in fuel purchases for vehicles. These purchases were notated as "travel," "campaign," or "discretionary." There was no record of whether the charges were of a business or personal nature. [B1, B30]

E. Mismanagement of Foundation Resources

Patterson failed in his fiduciary role as the Foundation's executive director. He allowed for the expenditure of funds which had no bearing on the Foundation's mission. In certain instances, Patterson's failure to exercise fiduciary oversight may have exposed the Foundation and the university to violations of state and federal tax codes. The following examples set forth these concerns.

In-Kind Gifts and Donations

Among the major in-kind gifts to LU and reported by the Foundation were horses donated to the university equestrian center; and jewels and gems to the LU science department. The valuation and appraisals associated with in-kind gifts and donations is the responsibility of the donor. The valuation of the donated horses was as high as \$80,000 in one particular instance. However, the university failed to recognize these sizable gains when the sale of these horses generally fell between \$1 and \$10. Factoring in the cost of the care and feeding for the horses it can be concluded the university expended more funds than was recovered through the sales.

The donation of semi-precious stones and diamonds over the years, were specific to two local physician donors. In 2009, 2013, and 2014 significant donations of semi-precious stones and diamonds, along with the appropriate appraisal of the items were made to LU. The SIG identified discrepancies in their 2013 donations when it was discovered both individuals received the same documentation and tax receipt in the amount of \$64,254.78 each from the Foundation. A review of the IRS form 8283, signed and acknowledged by Patterson, indicated both donors received the full amount of the same donation to the Foundation in that tax year. In 2017, LU obtained an independent appraisal of the gems which placed the value at \$42,004.79. [B35-B46, B49]

LU Miscellaneous Stipends

The SIG's review of spending practices within LU athletic accounts held by the Foundation identified \$93,927.47 in stipends and payments were paid to athletic department staff and a concessions contractor with Foundation checks issued at the direction of [REDACTED], [REDACTED], [REDACTED]. [B32]

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When questioned about the [REDACTED] knowledge and approval of the stipends [REDACTED] stated to the SIG, "[REDACTED] knew, but he didn't have to approve. I approved them as the [REDACTED]. I pay my [REDACTED] what they deserved because Lander [REDACTED] are so underpaid." University payroll records indicated no income taxes were deducted from the stipends, nor were any 1099s or W-2s issued to document the additional earned income. [A11]

Table C: Foundation Payments to LU Athletic Department Staff

Name	Stipend Payment	Name	Stipend Payment	Name	Stipend Payment
[REDACTED]	\$1,770.47	[REDACTED]	\$1,000.00	[REDACTED]	\$340.00
[REDACTED]	\$15,014.00	[REDACTED]	\$500.00	[REDACTED]	\$10,105.29
[REDACTED] (Foundation contractor)	\$10,198.00	[REDACTED]	\$250.00	[REDACTED]	\$4383.80
[REDACTED]	\$15,814.00	[REDACTED]	\$5,000.00	[REDACTED]	\$974.63
[REDACTED]	\$3,000.00	[REDACTED]	\$4,000.00	[REDACTED]	\$339.16
[REDACTED]	\$20,018.00	[REDACTED]	\$1,000.00	[REDACTED]	\$220.12

As set forth in the SIG's parallel report entitled, "Review of Lander Foundation Oversight and Financial Management Issues," the athletic program is a function of the university, not the Foundation, and should be managed within the chain of command at LU. The expenditure of athletic department funds related to and obtained for the benefit of the athletic department, in particular where salary and compensation is considered, should be budgeted and expended under the control and policies of LU leadership. [B52]

LU Athletic Concessions

Foundation records identified [REDACTED], daughter of [REDACTED], LU [REDACTED], received payments over a three year period totaling **\$10,198** for operating the concession stand at university sporting events. This individual was not an employee of the Foundation nor of LU. Foundation and university payroll records did not identify the issuance of a 1099 or W-2, nor the withholding of payroll and income taxes for the individual. [B33]

Heritage Classic Golf Tournament

On 11/24/2015 Patterson purchased 25 weeklong badges at \$425 each for a total of \$10,625 to the April 2016 Heritage Classic Golf Tournament, Hilton Head, South Carolina, as a sponsor fee. The amount included weeklong badges access to the 15th green and food/beverage privileges. This purchase was made without Foundation Board approval. A review of the list of attendees identified LU athletic staff and certain guests were in attendance. Only one Foundation Board member attended the event through the use of a Foundation purchased badge, which was described as more of a social affair than that of recruitment or appreciation for university donors. [B34]

Clemson Football and Basketball Tickets

[REDACTED] was reimbursed **\$4,026** by the Foundation for his personal purchase of Clemson football and basketball tickets during the 2014 – 2016 seasons. There was no supporting evidence or documentation of the intended purpose for the Foundation or the university. Interviews conducted of

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Patterson, [REDACTED], and the [REDACTED] could not determine who used the tickets, or the purpose of the tickets. [A6, A9, A11, B31]

Club Memberships

The Foundation consistently paid for memberships at facilities to members of the Lander University Athletic Department that do not appear to be consistent with the best interest of Lander University staff and students. The [REDACTED] authorized [REDACTED] a full membership to Greenwood Country Club which was reimbursed in full by the Foundation. [REDACTED] to the [REDACTED] was reimbursed \$90 a month from October 2014 through June 2016 for a tennis membership. Building and grounds employee received partial reimbursements for a membership to Greenwood Country Club which was also paid out by the Foundation. [B29, B50, B51]

V. Summary Conclusion

The SIG identified various examples where Patterson placed his personal interests above that of the Foundation and LU through his abuse and mismanagement of the Foundation's financial resources. Patterson approved his own reimbursements for personal travel, his personal sports broadcasting business, and other personal expenses with Foundation resources.

As noted in the parallel report entitled, "Review of Lander Foundation Oversight and Financial Management Issues," the Foundation Board did not exercise sufficient oversight of Patterson's role and responsibilities as the Foundation executive director. The lack of a memorandum of understanding or operating agreement between the Foundation and LU, a best practice among higher education, would have prevented the confusion and misunderstanding over lines of authority and who oversaw Patterson's daily activity.

The funds lost through misallocation, abuse, and misappropriation will have a direct financial impact to the LU student body and its enrollment efforts. The LU president provided the SIG with a financial impact analysis of a \$1,000 scholarship provided by the Foundation to the university for prospective students. Specifically, for every \$1,000 scholarship given to an enrolled student at full tuition, the university nets \$19,000 in gross tuition and fees. Consequently, any misuse of Foundation funds which limits scholarship funding can have the reverse effect in student enrollment and associated revenue to the university.

VI. Findings and Recommendations

Finding #1: The Lander Foundation Board of Trustees lacked the financial control and oversight of the approval process for use of its credit card account and expense reimbursement process. Specifically, there was no policy governing the use of the credit card account or expense reimbursement process by Ralph Patterson and Foundation staff, to include a dual approval process for reimbursements.

Recommendation #1 – The Lander Foundation Board of Trustees should consider implementing a financial governance and approval policy for foundation credit card accounts and expense reimbursements for all Foundation staff, to include a higher level of review for the executive director.

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Finding #2: Ralph Patterson authorized his own reimbursement for non-official personal travel, secondary employment, and other personal expenditures with Lander Foundation financial resources based on false justification, which may have violated state and federal criminal statutes and income tax laws.

Recommendation #2a – This issue will be forwarded to the South Carolina Law Enforcement Division for further review for possible criminal violations.

Recommendation #2b – This issue will be forwarded to the South Carolina Department of Revenue for further review.

Finding #3: The Lander Foundation provided performance bonus stipends and concession wages from Lander University Athletic Department accounts held by the Foundation to athletic department staff and a Foundation contractor at the direction [REDACTED], [REDACTED] Lander University [REDACTED] and with the approval of Ralph Patterson without withholding income tax or issuing IRS forms 1099 or W-2 to the recipients.

Recommendation #3a – This issue will be forwarded to the South Carolina Department of Revenue for further review.

Recommendation #3b – The Lander Foundation and Lander University should consider issuing corrected 1099s or W-2s to the named individuals in Table C (page 11 of this report).

Finding #4: The Lander University Foundation received numerous in-kind gifts which contained questionable valuations after the university obtained independent assessments. Specifically, in 2013, [REDACTED] and [REDACTED], local Greenwood County physicians, made a donation of semi-precious gems and diamonds valued at \$64,254.78 to the university, and were both given identical tax receipts in that amount by Ralph Patterson.

Recommendation #4 – This issue will be referred to the South Carolina Department of Revenue regarding [REDACTED] and [REDACTED] for further review.

Finding #5: [REDACTED] requested and received reimbursement for Clemson University basketball and football tickets for the 2014 – 2016 seasons from Lander Foundation financial resources which may have violated state and federal income tax laws.

Recommendation #5 – This issue will be forwarded to the South Carolina Department of Revenue for further review.

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APPENDIX A – INTERVIEWS

Due to the large volume of pages, video and audio recordings associated with these interviews, the documents and recordings have been placed on the attached CD-ROM and are referenced in the body of this report. The document titles and references listed below are indexed on the CD-ROM for retrieval.

Audio Disk #1

1. [REDACTED], Lander University Foundation Board of Trustees, 01/18/2017, Audio Recording
2. [REDACTED], Lander University Foundation Board of Trustees, 01/24/2017, Audio Recording
3. [REDACTED], Lander University Foundation Board of Trustees, [REDACTED], 01/24/2017, Audio Recording
4. [REDACTED], Lander University Foundation Board of Trustees, 01/18/2017, Audio Recording
5. [REDACTED], Lander University Foundation Board of Trustees, 01/24/2017, Audio Recording

Audio Disk #2

6. Ralph Patterson, Former Vice President for University Advancement and Executive Director of the Lander Foundation, 02/23/2017, Audio Recording.
7. [REDACTED], [REDACTED] Lander University Board of Trustees, 01/18/2017, Audio Recording
8. [REDACTED], Lander University Foundation Board of Trustees, [REDACTED], 01/24/2017, Audio Recording
9. [REDACTED] Lander University, 02/23/2017, Notes of phone interview
10. [REDACTED], Boedecker Foundation, 03/22/2017, Notes of phone interview
11. [REDACTED], 02/23/2017, Notes of phone interview

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APPENDIX B - EXHIBITS

Due to the large volume of pages associated with these records, the documents have been placed on the attached CD-ROM and are referenced in the body of this report. The document titles and references listed below are indexed on the CD-ROM for retrieval.

Document Disk #1

1. Ralph Patterson Credit Card usage May 2013-June 2016
2. 05/17/2013 Trip Denver
3. 08/22/2013 Trip Denver
4. 11/18/2013 Trip Denver
5. 12/23/2013 Trip Denver
6. 01/06/2014 Trip Denver
7. 03/15//2014 Trip Las Vegas to Denver PAC 12 Basketball Tournament
8. 07/30/2014 Trip Denver
9. 11/20/2014 Trip Denver Patterson's Mother's Birthday
10. 01/10/2015 Trip Denver
11. 03/11/2015 Las Vegas Trip booking
12. 03/11/2015 Denver Trip
13. 06/26/2015 Denver Trip
14. 12/03/2015 Denver Trip Colorado Buffalo Basketball game – Coach Hoffman Last game
15. 12/17/2015 Unknown trip – Seat upgrades
16. 01/29/2016 Denver Trip – Colorado Buffalo reunion from the “Apke Era” Coach Apke
17. [REDACTED] and Ralph Patterson trip to Colorado Buffalo Football game 10/02/2014
18. Broadcasting Employment #1 01/24/2015 High Point v. Radford
19. Broadcasting Employment #2 12/27/2015 Myrtle Beach Ball Classic
20. Broadcasting Employment #3 01/14/2016 High Point v. Coastal Carolina
21. Broadcasting Employment #4 03/04/2016 Big South Tournament - Buies Creek, North Carolina
22. Broadcasting Employment #5 03/11/2016 Women's Big South Tournament Asheville, North Carolina
23. Charleston, South Carolina – Family 10/27/2013
24. Charleston, South Carolina – Basketball Tournament 11/22/2013
25. Denver, Colorado – Family 08/07/2015

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26. 04/20/2016 unknown travel charges through United Airlines
27. Lander University Payroll records Ralph Patterson
28. Lander University Payroll records [REDACTED]
29. Greenwood County Club membership and restaurant invoices
30. Ralph Patterson miscellaneous spending – multiple receipts
31. [REDACTED] reimbursement for Clemson sports tickets
32. Stipends and known 1099 forms issued
33. [REDACTED] Concession compensation
34. Heritage Classic Foundation
35. Horse Donation Tracking Spreadsheet
36. [REDACTED] Stone Donation 2009
37. [REDACTED] Stone Donation 2013
38. [REDACTED] Stone Donation 2014
39. [REDACTED] Stone Donation 2013
40. [REDACTED] Stone Donation 2014
41. Documentation of Horse Donation #1
42. Documentation of Horse Donation #2
43. Documentation of Horse Donation #3
44. Documentation of Horse Donation #4
45. Documentation of Horse Donation #5
46. Documentation of Horse Donation #6
47. Minutes of Full Board Meeting and Executive Committee Meetings
48. Charles Schulze CPA Foundation Review
49. Palmetto Gems Report
50. [REDACTED] Expenses
51. [REDACTED] Expenses
52. Review of Lander Foundation Oversight and Financial Management Issues