



APPENDIX III

Updated on August 14, 2003

Today: Thunderstorms with a high of

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LOCAL NEWS

Audit clears FAU Foundation in Corvette scandal despite lack of cooperation
Gimelstob chides Guggenheim for not talking to auditors, misstating involvement to authorities

Published Thursday, August 14, 2003
by Brian Bandell

Florida Atlantic University's fund-raising arm didn't approve giving former FAU President Anthony Catanese a Corvette with donated funds, but several people were cited for not participating in an audit conducted by KPMG that was released Wednesday.

FAU officials agreed to audit the \$42,000 that former Foundation head Carla Coleman gave to Catanese for the car under the guise of a payment for his wife's interior decorating services, the capital campaign Coleman used to justify her raise and the use of donated funds at the DeSantis Center. KPMG was hired to conduct the reviews.

The results came with a disclaimer from the auditor. While KPMG reviewed law enforcement documents that led to Coleman being charged with official misconduct, the auditing firm had "significant limitations" that could have affected their conclusion.

KPMG didn't receive cooperation from Coleman, Catanese, former FAU Foundation Chairman Howard Guggenheim, interior designers Stephen and Rita Lloyd, or foundation executive committee members William French and Chris Wheeler.

"The above-mentioned individuals may have provided KPMG with pertinent information regarding the circumstances surrounding the alleged gift," KPMG wrote in the report.

The auditor was given the minutes of an April 4, 2002 Foundation meeting where Coleman mentioned a non-specific gift for Catanese, but it wasn't given a copy of the minutes of an April 11, 2002 Foundation executive board meeting where, according to a law enforcement investigation, Catanese said he'd like a Corvette as a gift. FAU President Frank Brogan said that if KPMG had more access to information and individuals, it wouldn't have changed the conclusion that the FAU Foundation didn't approve the car.

However, the foundation's new chairman, Herb Gimelstob, criticized former chairman Guggenheim for not telling law enforcement officials about his involvement in the Corvette deal and not talking to auditors despite agreeing to the audit. Guggenheim told a Florida Department of Law Enforcement investigator that



he didn't hear anything about the gift after the foundation meeting where Catanese brought it up, but documents and testimony show Guggenheim solicited donations and made his own contribution toward the car.

"The executive board [of the FAU Foundation] will be meeting shortly and if we don't get further cooperation from the former chairman [Guggenheim], we will take the appropriate legal actions," Gimelstob said.

Guggenheim has refused comment to the press on the advice of his lawyer.

Kenneth Lipman, Coleman's attorney, said his client didn't talk to auditors because of the criminal investigation that was taking place at the time. While the FAU Foundation Board didn't formally approve of the Corvette gift, members of the executive committee donated toward it and Guggenheim made calls to find donors, Lipman said.

"Guggenheim is quite happy with the blame being laid at Carla Coleman's feet," he said.

A deposition was scheduled for Sept. 22. in her criminal case after Coleman pled not guilty.

Capital campaign overstated by \$21 million

KPMG's audit also found that the FAU Foundation's capital campaign was overstated by \$21.1 million due to faulty accounting.

Coleman told FAU's Board of Trustees that her fund-raising campaign, which ran from July 1994 to November 2001, raised \$220.3 million. She cited that figure when she requested a raise from \$141,000 to \$185,000 a year for herself and large raises for several of her co-workers. It was approved despite the concerns of some trustees. The audit determined that the actual total from the capital campaign was \$199.1 million.

"We are forever grateful and indebted to the foundation for delivering double what the original goal was," said George Zoley, chairman of the Board of Trustees, noting that the bar was originally set at \$100 million. "The adjusted \$20 million was from accounting issues related to the designation and appropriation of state funds."

Most of the adjusted figure came from state matching funds that were included in the campaign but not received from the Florida Legislature because of a budget shortfall. The largest misstatement was a \$6 million state match for a payment to be received upon death of the donor, who died after the capital campaign ended.

Mistakes involving smaller amounts were attributed to errors ranging from a lack of evidence for reported donations to over- or understatements of donation amounts. KPMG didn't find enough documentation to verify 11 deferred gifts worth \$3.1 million, a deferred \$1.5 gift from an anonymous donor, and a \$100,000 gift. In several cases, the auditor determined pledges shouldn't be listed because the estates of the donors couldn't afford to make them.

However, KPMG had no explanation for a \$6.1 million "variance" between the original campaign estimate and the revised total. The firm said it wasn't provided with any information or documentation regarding the difference.

FAU President Brogan characterized the problem as "just accounting issues."

"The categorization should have been determined prior to beginning the capital



campaign," Brogan said.

FAU Trustee Dr. Frederick Hoffman, a math professor, said the actual shortfalls were "really insignificant." Hoffman thought Coleman's raise was too big, but he doesn't feel that she inflated the results of the capital campaign to generate the raises.

"If you're bragging about your fundraising, you're not going to be conservative. I think it was just normal to make it look as good as you can," Hoffman said. "That's enough of an error to say you have to do better, but not enough to accuse them of wrongdoing."

DeSantis Center cleared

The audit determined that funds from the DeSantis Center, a film study center started with a donation from Boca Raton businessman, Carl DeSantis, were used appropriately. It was the center's third audit in just over a year.

Anonymous letters accused Zoley, Business Dean Bruce Mallen and FAU General Council Ondina Felipe of misusing funds for trips to the Cannes Film Festival in France, but the audit found that Zoley and Felipe paid most of their expenses. KPMG also determined that other uses of donated funds were consistent with the center's mission.

That wasn't enough for some officials. Gimelstob said he'd put strict controls in place that would require future expenses to be justified beforehand and afterward.

"The [FAU Foundation] executive board still believes some of the expenses were excessive and didn't do enough to benefit the university or its students," Gimelstob said, asking why limos were need for travel to Fort Lauderdale.

Trustee Bruce Warshal called for the mission of the DeSantis Center to be reviewed, but Brogan warned that a fourth audit of the center would be "whipping a dead horse."

That didn't stop trustees Llywd Eccestone and Norman Tripp from demanding that Zoley and Felipe prove that they paid back the university for their trips to France.

"It's like a fox in a hen house," Eccelstone said.

Zoley said that a previous audit by FAU's inspector general adequately addressed the issue and cleared them of wrongdoing. KPMG's report showed that Felipe was credited with \$862 for lodging and Zoley \$458 for admission to the Cannes Film Festival.

Mallen said he invited Zoley to Cannes to foster relationships with local business. Zoley is the chairman and chief executive officer of Boca-based Wackenhut Corrections Corp. After he returned, Zoley donated \$10,000 to the center, Mallen said.

Felipe said she participated in legal workshops while at the festival.

"They seem to be focusing in on it over and over again. One has to wonder if something other than the issue at hand is motivating them," Mallen said.

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Several officials warned against buying Corvette for ex-FAU president

By Jennifer Peltz and Neil Santaniello
Staff Writers
Posted July 11 2003

The former head of Florida Atlantic University's fund-raising foundation last summer contrived to buy her boss a sports car despite red flags from foundation and university administrators, a lawyer and one of the foundation's board members, according to investigative documents released Thursday.

The documents sketch prosecutors' case against former **FAU** foundation chief Carla Coleman, who faces a felony charge of official misconduct. She's accused of funneling the \$42,000 price of former **FAU** President Anthony Catanese's red Corvette through the foundation, which supports the university but is run separately.

The car was intended as a parting gift after Catanese left **FAU** last July for the private Florida Institute of Technology in Melbourne.

According to sworn statements released Thursday, university finance chief Kenneth Jessell expressed "strong concerns" to Coleman about having the tax-exempt charity give such a gift. After talking with an outside accountant, foundation finance head Diane Freaney suggested Coleman consult a tax lawyer before going ahead with the gift.

Edward Yevoli, an outside lawyer, told investigators he had expressed concerns to another attorney who had consulted him on the foundation's behalf.

When the idea came up at an April 2002 meeting of the foundation's decision-making committee, Freaney told investigators, treasurer Ramon A. Rodriguez vehemently opposed it.

"I didn't think it was appropriate," Rodriguez explained Thursday. "We should be supporting the students and the university."

But Coleman has said, through a lawyer, that she didn't believe she did anything wrong. Some foundation board members and Catanese knew about the arrangements, made with money donated specifically for the gift, according to Coleman's lawyer, Kenneth Lipman.

"She certainly told a number of people she was doing it," Lipman said Thursday. "Nothing was lost, and there was no money taken by her or by anyone ... She honestly believed it was all right."

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Then-foundation chairman Howard Guggenheim and current chairman Herbert Gimelstob have said they were unaware of the Corvette gift, which the decision-making committee never voted to approve. And Catanese has said, through a lawyer, that he wasn't aware the gift wasn't proper, despite its circuitous delivery. The money was routed as a consulting fee to Catanese's wife, Sara, through a decorating firm that worked on **FAU's** presidential manse.

But one of Coleman's deputies, Susan Peirce, told investigators in a sworn statement that Guggenheim had told her he had solicited contributions for a gift for Catanese. According to a memo she acknowledged writing in May 2002, Guggenheim agreed to put in \$5,000 of his own. Guggenheim could not be reached Thursday, despite several attempts by phone.

Four other **FAU** supporters -- Richard Davimos, Christopher **Wheeler**, William French and William E. Morris -- agreed to put up another \$11,500 among them, according to Peirce's memo.

"All insist[ed] that their donations be gifts that go through the Foundation; want tax benefits," she wrote in the memo, which was released among the investigative documents. In an October letter also released Thursday, **Wheeler, a lawyer,** specifically asked for a "charitable deduction receipt" for his \$3,000 contribution toward Catanese's gift.

Wheeler, Davimos and Morris could not be reached Thursday. French declined to comment. All are members of the foundation's leadership.

As a tax-exempt charity, the foundation is not supposed to spend money for any non-charitable purpose. Internal Revenue Service officials wouldn't say this week whether the foundation could face any IRS penalties because of the Corvette gift.

Handwritten notes on the memo, which Peirce said were Coleman's, suggest then-vice chairman Gimelstob was contacted about pitching in \$5,000. But Gimelstob denied knowing anything about it.

"I never gave money for a car," Gimelstob said Thursday. " ... Maybe she thought she could get something, but it never came about."

The handwritten notes also suggest that foundation investment committee chairman Casey Gunnell was contacted about giving \$5,000, and foundation board member Monte Friedkin about \$1,000. Gunnell couldn't be reached Thursday. Friedkin has said he gave \$1,000 after receiving a letter asking for donations toward



an unspecified gift to Catanese, but didn't learn until recently what the gift was.

The documents released Thursday don't include any statements from Coleman or the Cataneses. Anthony Catanese directed inquiries Friday to lawyer Richard Lubin, who could not be reached.

Decorators Stephen and Rita Lloyd told investigators that Sara Catanese had worked closely with them -- but as a client, not a hired consultant. Nonetheless, they didn't object when Coleman asked them to pay Sara Catanese \$42,000, with the foundation reimbursing the firm.

Lloyd acknowledged that Coleman told him what the money was for. He told investigators he asked whether the transaction was legitimate, and Coleman assured him it was.

"My initial feeling about it was ... this is kind of weird," he told investigators in a sworn statement. " ... [But] I didn't question her further. I mean, we were basically working for the university. And she was like our boss."

But when **FAU** officials started asking questions in February, the designers called the Cataneses to explain that they were being asked for documentation of Sara Catanese's work.

Anthony Catanese seemed startled to hear about the payment to his wife, Rita Lloyd told investigators. Nonetheless, the Lloyds arrived in their office a few days later to find a handwritten fax from Sara Catanese, listing dates and numbers apparently intended to represent hours she had worked.

The Lloyds struck a deal with prosecutors to avoid prosecution. Coleman, released on \$4,500 bond, is awaiting court hearings.

Staff writer Jon Burstein contributed to this report.

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[This Afternoon: Partly cloudy with a high of 85](#)

LOCAL NEWS

Guggenheim says he was truthful to investigators, FAU officials call for his ouster
Gimelstob wants Guggenheim off Foundation board for "lying" to investigators and



not cooperating with audit

Published Saturday, August 16, 2003

by Brian Bandell

Howard Guggenheim, the past chair of Florida Atlantic University's fund-raising foundation, said he was "100% honest" with law enforcement inquiries into the misuse of FAU Foundation funds to buy a Corvette for the school's former president. Meanwhile, FAU officials are calling for him to resign from the Foundation's board for not telling investigators that he raised money for former FAU President Anthony Catanese's car and for not cooperating with an audit ordered by the university. Former fundraising head Carla Coleman is facing charges of official misconduct for directing \$42,000 through an interior designer to Catanese so he could buy the car. Catanese has since returned the money and Coleman has pled not guilty. Guggenheim has raised more than \$10 million to benefit the university and personally donated about \$250,000, but the Boca Raton stockbroker's actions have recently come under scrutiny.

"How can we have people trust their money with someone who lies to police and doesn't cooperate with investigators?" said Herb Gimelstob, the current FAU Foundation chair. "We will chat with him and look at the legal ramifications of what we have to do if he doesn't agree."

Gimelstob said the matter would be discussed next week at a Foundation executive board meeting. FAU President Frank Brogan and Board of Trustees Chairman George Zoley are also urging Guggenheim to step down, Gimelstob said. Brogan confirmed that he spoke with Guggenheim, but he didn't reveal what was discussed.

In a statement issued through his lawyer on Thursday, Guggenheim said he'd decide about resigning at a later date and defended his actions.

"Mr. Guggenheim has fully participated in the investigation at issue and at no time lied, covered-up, or misrepresented the facts to any investigative agency," the statement from Guggenheim's lawyer read.

When a Florida Department of Law Enforcement officer asked Guggenheim whether fundraiser Coleman ever asked him to authorize FAU Foundation funds to purchase the car, Guggenheim responded: "No. That was never discussed with me."

Guggenheim said the topic of a Corvette for Catanese was brought up at a Foundation executive board meeting in April 2002 but no vote was taken. The investigator asked Guggenheim if he had any conversations about how the gift would happen after that meeting and he again said no.

That would appear to contradict what former Associate Vice President for Advancement Susan Peirce told investigators: that Guggenheim called her last year and asked her to help him raise money for a gift for Catanese but she told him she wouldn't help because she opposed the idea.

A document found on Peirce's computer showed that Guggenheim was making calls to solicit donations for a "gift" to Catanese. The May 22, 2002 note was addressed from Peirce to Coleman and cited a total of \$16,500 in contributions from foundation board members.



"Mr. Guggenheim's understanding was that the question was asking about 'how' the funds were directed to President Catanese (i.e. through Lloyd Interior Design)," Guggenheim's statement read. "Mr. Guggenheim knew nothing about the way the funds were directed to President Catanese and likewise never had a conversation with anybody about this and therefore when he answered the question 'no' he was honest and accurate."

The statement by Guggenheim admitted that he made calls to raise money for the Corvette but said he had no role in the collection, recording or allocation of the funds. FAU ordered an audit to determine whether the Foundation approved the Corvette gift. Audit firm KPMG determined it did not, but cited Guggenheim for not responding to a request to be interviewed. **The auditing firm said its investigation might have turned out differently if Guggenheim, among others, had cooperated.** Guggenheim said he didn't meet with the auditors because he was "advised that KPMG had everything they needed including the transcript from Mr. Guggenheim's voluntary interview with the FDLE."