

LCSD must fix financial issues by end of year

Subheadline: If not resolved, district would jump to fiscal emergency

Slug: LANNWS-08-30-23 FISCAL WATCH

Print depth: 28.46 (4241 characters)

Start date/time: Aug 17, 2023 11:57 AM

Section tags: nc-lan
nc-lan/news
nc-lan/news/education

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Content

Lancaster County School District is still under fiscal watch by the S.C. Department of Education, due to two findings on their annual audit. But the designation will escalate to a fiscal emergency, the highest level, if it is not resolved by the end of the year.

Background

The current fiscal watch designation relates to two identified “material weaknesses,” determined by the state Education Department. They involved remaining unspent revenues of \$771,000 related to local grants and \$11,000 in pupil activity funds.

When the district closed out unspent revenue, it brought \$771,000 in unspent revenue over to the next fiscal year, which is a common state accounting practice and approved by previous auditor. The \$11,000 in Discovery School pupil activity funds was reported within the district’s pupil activity funds, when the state says it should have been reported separately.

Both funds were recorded and accounted for properly in the district system, but it was a matter of how they were reported by the previous auditor versus the accounting.

District CFO Jatana Norris has remained adamant that the school district financial department has followed all correct protocol, and said she believes the district should come off of fiscal watch at the end of the year.

Recent developments

At the Aug. 15 board meeting, Norris said state Education Department fiscal analyst Daniel Haven and interim CFO Steven Strother visited the district office July 12. The in-person visit is classified as “technical assistance,” a service SCDE offers districts on fiscal watch.

Norris said Strother and Haven called it “the best meeting they have ever had,” due to Norris’ level of preparation and the district finance department’s readiness to provide concrete evidence of financial responsibility.

“They got to meet every one of our team ... in finance and procurement,” Norris said. “Of course, I was very proud of all of our staff. We went through the two audit findings.”

Norris said after Haven and Strother looked through the licensed software and two audit findings, the three agreed that the findings should not have existed in the first place. Norris has brought up the lack of evidence for an audit finding at multiple board meetings, at the appeal hearing earlier this year and in email conversations with SCDE officials.

“I said, guys, if you can give us any technical assistance, show us how you would pick out the Discovery School in this column here for Lancaster (County) School District,” Norris said. “And they looked at it and said, well, you can’t.”

Norris said that since Discovery School’s audit was completed after the district audit, there was no way to identify the \$11,000 in pupil activity funds at that school, per SCDE’s request.

Still not in the clear

While Norris said the meeting went well, Haven and Strother told her that there is no guarantee the district will be removed from fiscal watch after submitting its new audit at the end of the year.

The fiscal watch was initially placed in 2022 and renewed this year. If it is renewed a third time, it will escalate to fiscal emergency, which is the highest level of concern.

According to the state Education Department’s fiscal practices act, there are three levels of “escalating levels of fiscal and budgetary concern,” which are fiscal watch, fiscal caution and fiscal emergency. Lancaster County School District has been on fiscal watch.

Per this law, should a fiscal watch designation be renewed a third time, fiscal caution is skipped.

A fiscal emergency must be declared in five situations: failure to submit an acceptable fiscal caution recovery plan, failure to comply with a fiscal caution recovery plan, risk of debt default, three fiscal years of fiscal watch or caution, or when it is necessary to correct fiscal problems.

At this point, the state education superintendent may recommend taking over the district’s financial operations until the district is released from a fiscal emergency.

“We might make mistakes during the year, but ... we can go back and fix it,” Norris said. “If we find it, right now our whole process has to go back and review. Then somebody else reviewed what we just reviewed, and then somebody else reviews it to make sure we have all eyes on it.”

Child images

LANNWS-08-30-23 FISCAL WATCH Jatana Norris



