

Emails show SCDE lack of response on fiscal watch

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Content

While Lancaster County School District remains on fiscal watch until at least December 2023, recently obtained documents show multiple lapses in communication from the S.C. Department of Education (SCDE) during the declaration and recovery process.

LCSD Chief Financial Officer Jatana Norris has remained adamant that the district has done everything asked by SCDE to remedy financial concerns. The current fiscal watch designation is the lowest level of concern, but it has lingered for three years, despite changes made by the district.

Material weaknesses

The current fiscal watch designation relates to two identified “material weaknesses,” determined by SCDE. A material weakness is “a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis,” according to SC Gov.

The two material weaknesses involved remaining unspent revenues of \$771,000 related to local grants and \$11,000 in pupil activity funds.

When LCSD closed out unspent revenue, the district 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 Charter School pupil activity funds were reported within the LCSD pupil activity funds, when they should have been reported separately.

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

“That (\$771,000) equates to 0.0075% of the Lancaster County School District general fund,” Norris said in March. “The (\$11,000 within the) pupil activity funds for Lancaster County equates to 0.39% (of the district’s pupil activity funds).”

In a Feb. 10 letter to SCDE fiscal analyst Daniel Haven, LCSD requested for reconsideration on the fiscal watch designation regarding the 0.39% finding, because it does not meet the threshold for “having a significant effect on the financial condition of the district,” and that “it is a change in where unspent funds are reported but nevertheless accounted for with complete transparency on our financial statements.”

Fiscal recovery plan

As required, LCSD submitted a financial recovery plan March 13 to SCDE, but SCDE did not confirm receipt of the plan until May 22, after the May 9 appeal hearing.

Norris emailed S.C. Education Superintendent Ellen Weaver on March 23 with the fiscal recovery plan, and asked for confirmation of receipt, but never heard back, even after multiple follow-ups. She also mailed Weaver a hard copy of the plan.

During the appeal hearing, Board of Trustees attorney Alex Sherard made the argument that the fiscal watch declaration and continuation failed to follow multiple standard practices required by state law. The lack of acknowledgement of the fiscal recovery plan was one of those missteps.

In email communications obtained through FOIA requests to SCDE, Sherard emailed general counsel for SCDE John Tyler Feb. 10 asking for clarification on the fiscal watch declaration as a whole.

“I am reaching out in regard to my client Lancaster County School District and its recent fiscal watch notice,” Sherard wrote. “Is Lancaster under a new fiscal watch declaration, or are they still under the 2022 fiscal watch declaration?”

This question was the first of many needing clarification on what the declaration was for, SCDE confirmation on next steps, the ability to appeal the decision and confirmation of technical assistance.

Technical assistance

SCDE uses the term “technical assistance” to describe the help state fiscal employees provide to districts under fiscal watch. According to SCDE, Lancaster County School District has been receiving technical assistance for months, multiple times.

“Lancaster County received formal technical assistance in the form of a fiscal practices audit conducted by SCDE staff,” said Laura Bayne, SCDE deputy superintendent of strategic engagement. “The fiscal practices audit reviews the recovery plan the district is statutorily required to submit once receiving a fiscal watch designation to ensure the plan is being implemented.”

Bayne also said “informal technical assistance was given in the form of many phone calls and emails between department staff and district officials throughout the year.”

According to Norris, since starting work with the district in December 2022, she has not received a single call or email with said technical assistance, and neither has any employee in her office. Norris said she has no idea who SCDE is calling, if they are calling anyone.

Continued confusion

In the May 22 letter confirming receipt of the fiscal recovery plan, Weaver said SCDE will “continue to provide technical assistance during the time the district is under fiscal watch.”

Norris responded via email to Haven, SCDE fiscal analyst, saying, “again, we are unclear about the ‘technical assistance,’ in this communication. LCSD submitted our fiscal recovery plan for the 2021-2022 audit on Mar. 23, 2022, with all items completed, without input or guidance from SCDE or the fiscal practices committee.”

Norris also emailed SCDE administrative coordinator and CFO Kimberly Moss and SCDE Finance Director Steven Strother on May 23 to ask for specific dates that future technical assistance would be provided, to ensure LCSD is aware of the dates.

“Could I get that documentation and the dates of the field visits to our district to ensure we are following your guidance,” Norris wrote.

Norris confirmed at the June 13 school board meeting that SCDE has not provided a log of past technical assistance, nor any dates for upcoming field visits.

The current designation will last until December 2023, when the district’s financials are restated through auditing. Norris said she feels satisfied that her department has done everything it was asked, and will now direct its attention to the upcoming audit at the end of this year.

“Our primary goal right now is to have a clean audit,” Norris said. “We’re doing a lot of things early right now, so that we have plenty of time to get our audit done on time.

“I think the point we want the board to understand is that we are calling on a regular basis to the Department of Ed to say, we’ve done everything that you’ve asked us to do, so that we can get off fiscal watch, and we did everything you asked last year, and you left us on,” said LCSD Superintendent Dr. Jonathan Phipps.

Child images

LANNWS-06-28-23 FISCAL WATCH UPDATE Jatana Norris



