



STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION

October 31, 2024

Richland County School District One Board of School Commissioners
Dr. Craig Witherspoon, Superintendent
Ms. Sherri Mathews-Hazel, Chief Financial Officer
Richland County School District One
1616 Richland Street
Columbia, SC 29201

Dear Board Members, Dr. Witherspoon, and Ms. Mathews-Hazel,

This letter is in response to your District's final recovery plan submitted and received on October 11, 2024. The Department has reviewed the recovery plan and determined it to be deficient or incomplete.

1. Finding Sec. IV in the State Inspector General's (SIG) report: "The District mismanaged the \$31 million allocated by the Board for the 'Early Childhood Center LR' on 12/13/22 by awarding an unauthorized procurement."

District Response: "The SIG reported there were no criminal activity or indication of fraudulent activity. The Board of School Commissioners voted and approved to ratify the construction procurement on August 9, 2024."

The District's response ignores the SIG's findings of deficiency and instead emphasizes information concerning fraud or illegality that is unrelated to the substance of the finding. The response does not address how the District intends to implement controls to ensure that any mismanagement of funds will be mitigated in the future, nor does it indicate the corrective action to address the mismanagement of the \$31 million noted in the SIG report beyond the Board's ratification of the contract.

2. The State Superintendent of Education's August 2, 2024, letter expressed concerns regarding the legal liability associated with pending lawsuits related to stormwater runoff as it relates to the Vince Ford Early Learning Center (VFELC) construction site.

ELLEN E. WEAVER · STATE SUPERINTENDENT OF EDUCATION
849 LEARNING LANE · WEST COLUMBIA, SC 29172
PHONE: 803-734-8500 · FAX: 803-734-3389 · ED.SC.GOV

District Response: "The District is required to maintain liability insurance. The South Carolina School Boards Insurance Trust (SCSBIT) provides coverage for the District. The District has no financial implications as it pertains to the lawsuits outside of the deductible and premiums paid yearly for liability coverage."

While the district may hold liability coverage through SCSBIT, it may be short-sighted to insist that the district is free of all liability. Do liability coverage limits exist within the SCSBIT policy? If so, what is the procedure if aggregate liability exceeds the SCSBIT coverage amount? Is the District able to guarantee that future premiums would not increase as a result of liability payouts?

3. The SIG report established that the district has not assessed the financial requirements for future operations and maintenance of the VFELC.

District Response: "The District is equipped to fully fund the ongoing operation of the VFELC which will be influenced by student enrollment trends. Common practice for school districts is to incorporate the operational costs of new buildings and renovation expansions into the annual General Fund operating budget."

"As part of the FY25 General Fund budget, the Richland One Board of School Commissioners approved two personnel positions for the VFELC, Principal and Administrative Assistant, in the General Fund to facilitate recruitment, staffing, and preparation of the building to meet students' needs. As we approach the FY26 General Fund budget process, operational costs for the VFELC will be integrated based on the status of the construction project and in consideration of the anticipated student enrollment."

The clarification of this initial concern, requested by the District and provided by the Department on October 2, 2024, asked whether the District had completed an analysis of the operational costs for the VFELC. This does not indicate that estimated future recurring operational and maintenance costs of the VFELC have been evaluated.

Additionally, the proposed plan did not address with clarity specific questions raised around the budgetary impact of declining enrollment or planning for regular maintenance and capital improvements to adequately maintain existing facilities.

The Department has determined that, due to the insufficient responses enumerated above, the District has not provided an adequate recovery plan to address financial concerns raised in the State Inspector General's (SIG) July report. Additionally, some of the District's seemingly cursory responses have amplified the Department's concern regarding the District's apparent failure to grasp the gravity and full implications of the SIG's findings.

Due to the insufficiency of the District's recovery plan, the Department has concluded that the most prudent path forward is to retain an independent audit team, as provided by S.C. Code Ann. § 59-20-90(D)(5)(b) and Proviso 117.203, to work with the Department to assist the District in addressing these fiscal challenges. This independent perspective will provide the necessary transparent accounting for the District to address the multiple, overlapping areas of fiscal concern.

While the District has not yet provided satisfactory recovery plans or taken sufficient action to correct the practices or conditions that led to the declaration of fiscal caution, the Department is not elevating the District to a state of fiscal emergency at this time. The Department remains hopeful that its technical assistance and the independent audit process will foster necessary improvements within the District.

Accordingly, the Department will work with the independent auditor and the District to develop and implement an acceptable recovery plan through the auditing process. The Department looks forward to providing continued support as the District works to improve its fiscal practices to an acceptable standard.

Sincerely,



Kendra Hunt
Chief Financial Officer