

**Report to Dr. Akil Ross**  
**Review and Analysis of Documents**  
**Submitted in August and September 2021**  
**Revised October 14, 2021 10:00 PM**

I was tasked by Dr. Ross to analyze data and systems to determine efficiencies and recommendations for streamlining processes and procedures. I have conducted a thorough review of available materials as identified, copies of which can be provided upon request. My analysis is based upon my experience as a superintendent and as Chief Human Resources Officer for Lexington Richland Five for 8 and ½ years. I have no personal interest in this matter, and have approached my review to be thoroughly objective, for the use of Dr. Ross in whatever way he may see fit.

Based on the most recent documents reviewed on transparency reports, website review and items submitted by School District Five of Lexington and Richland Counties, there are questions and recommendations for further research into several items. The following are initial concerns I believe need further investigation with my recommendations for each item.

These items are in no particular order of priority or category. The following show a pattern of questionable conduct regarding procurement processes and allowed expenditures which suggest an independent and thorough audit of these funds and procedures for each procurement should be secured and reviewed for consideration of what, if any, further action should be taken by Dr. Ross.

1. There are serious questions about how the 2008 Bond Referendum funds were spent to the point that some were used for architectural fees for the Chapin Middle School addition and/or the Piney Woods Elementary School project designs before the bidding and procurement of architectural services for the new school. Were there funds from other sources used to satisfy the debt for the construction process?

Recommendation: Obtain a complete reconciliation of all proceeds and expenditures for the 2008 Bond Referendum to determine if there were remaining fees that were misappropriated to secure architectural services, legal services or construction services for projects not allowed by the conditions of the bond referendum. Secondly, get the procurement auditors to review the language in the 2008 bond and other bond funds to see if the language actually allows each expenditure that was made from the bond proceeds. In the district's 2008 Procurement Code book on page 41 section 3025, there is a requirement that the district use bond funds for the specific purpose outlined in the bond. If the district diverted any of the money for another project not voted on by the taxpayers, there is a procurement violation. Also, if the language in the bond doesn't allow other uses, there is another procurement issue.

2. If there are funds remaining in the 2008 Bond Referendum, there should be an accounting to determine the amount of remaining funds and what, if anything, the District is required to do

with excess funds. According to SC Code 59-19-93, a copy of the district's procurement code should be on file with the SC Department of Administration's Office of General Services. Has that been updated and filed?

Recommendation: CFO should submit the General Ledger (and all subledgers) accounting for the expenditures for the 2008 Bond Referendum as well as a Journal Detail Report from 2008-2021. Be sure the current and updated district procurement code is on file with the correct state agency. Parenthetically the District Procurement has not been updated since 2008 and may require amendments to comply with applicable law.

3. Were procurement procedures followed regarding the architectural services secured for the design of the Chapin Middle School addition and the Piney Woods Elementary projects? The architectural design contract issued to Quackenbush Architects and Planners for the Chapin Middle School addition project was issued as a sole source procurement. Reviewing the procurement code, this transaction did not meet the requirements of sole source transaction.

Recommendation: Superintendent should review the procurement process for bidding the architectural services for the Chapin Middle School addition and Piney Woods Elementary School to determine how and why these requirements were not met.

4. Were there any funds other than those used for the 2018 (19) B bond issuance used in 8% debt services for the new school? If so, was Board approval received to authorize the use of these funds? No Board minutes document the request for or approval for the use of those funds.

Recommendation: Review a reconciliation of all expenditures for the 8% debt service to determine how these funds were used. CFO should submit General Ledger accounting and all subledgers for these expenditures.

5. Did the district receive legal advice regarding bond expenditures and/or procurement of architectural services? If so, which legal teams? What due diligence does the District do before selecting lawyers to list for services that may be needed by the district? For example, invoices for various lawyers have very general topics on them such as, "construction matters." This prevents the District to precisely allocate expenditures of funds to the appropriate project. How does the District allocate expenditures made for legal services directly by the District to particular construction projects to permit a reconciliation of proper expenditure of bond proceeds?

Recommendation: Auditor should review all legal bills regarding purchasing, bidding and bond advice from all legal teams involved in the activities. A revision to the legal practice requisites should require all legal bills to reference a specific case or construction project and reason for advice so the expenditure for legal services can be charged against the particular project for which the legal services were provided. There should be a specific engagement letter for each

project undertaken by each attorney that defines the scope of representation for each particular project with a beginning billing date and a conclusion date for each engagement.

6. In the Resolution presented to the Board on September 13, 2021 regarding a resolution to approve the issuance and sale of general obligation bonds not exceeding \$70 million for the refund of the purchase of some of the 2012 bonds: The resolution states in 1(j):" A balance has accumulated in the School District's debt service fund held by the Lexington County Treasurer, a portion of which may be used as a contribution toward the amount needed to refund the Bonds to be Refunded." What evidence do we have regarding the treasurer's income and payments into the School District's debt service fund which enabled the District to conclude that a balance has accumulated? From where would the excess funds have come?

Recommendation: CFO should provide a General Ledger and all subledger accounting showing the income and payments with an explanation of how excess funds accumulated. CFO should provide a list of budget numbers as shown on paid invoices. For example, one expenditure is for the account 535-23-53-395-0000-0000-011 and another is from 100-231-319-0000-0000-011. Both of these are for legal services but the precise project cannot be determined because of insufficient documentation from the legal provider(s).

7. Does the District have multiple bank accounts in its name? If so, what is the purpose of each? Who are the signatories on each? Who reconciles each account and what quality or auditor control is implemented for each account and who reviews them?

Recommendation: CFO and banks should provide documentation including bank statements with copies of instruments showing funds into and out of each account and current status.

8. There are questions about the kitchen construction at Piney Woods Elementary. How was this funded?

Recommendation: Review the expenditure report for this item to show from which funds this was paid. Were the funds that were used for that expenditure diverted from proceeds for another project.

9. There is an open Purchase Order for Coogler Construction. Why is this open? There is also an indefinite construction contract for Thompson-Turner Construction. There were multi-year, possible indefinite term contracts with Kelly Services, Centergistics, Checker Yellow Cab and Palmetto Controls, Inc. Kelly Services was issued contract revisions without required board approval. Kelly Services invoiced and was paid sums based upon unit prices which were much greater than those shown on its contract schedule of values. It also listed employees under the category of substitute teachers who have never been teachers but rather worked in the district office. These employees of Kelly Services drove district vehicles and were termed "consultants" by the district administration.

Checker-Yellow Cab was issued a second multi-year contract in July 2021 for \$1.95 million without board approval. Because of the actions of Checker-Yellow Cab, the District in May 2021, received a court order to be added as a party to a lawsuit concerning the action of Checker-Yellow Cab and is currently facing potential liability for alleged injuries to a student.

An unlicensed engineer construction representative was issued without required board approval. Why is this?

Recommendation: All contracts with construction companies should be completed when the project is completed. No construction contracts should be left open after project is completed. There is a liability issue with a non-District employee who drives a District vehicle. This practice should be discontinued. Auditor may reveal a reason for this, but on the surface, it looks as if procurement process has been violated.

10. There are numerous areas where contracts were done, but no indication of the RFP or process of procurement shown.

Recommendation: Since I am not an auditor, I still see this pattern, so this should be vetted by the auditor. Ask for a Grants Management Report or a journal detail report from 2008 through the present. That will show you how they paid for it. It sounds like they split-funded this. There should have been bids.

[REDACTED]

[REDACTED]

[REDACTED]

12. There are 2 sets of tap fees paid for Chapin Middle School. The second set is in the amount of \$162,500. There appears to be no requisition nor purchase order process followed. Apparently, there has been a SLED investigation on this issue.

Recommendation: Auditor should review this issue for reasons procurement process was not followed. Auditor should review the status of the SLED investigation. Superintendent should determine what, if any, action is required for the violation(s).

13. There are frequent “change orders” in various construction projects. The project then begins to be over the budgeted amount. What is the process for reviewing change orders? How are these approved? Are they approved by the board? Are change orders proposed and approved or simply provided after the fact with the District obligated to pay them?

Recommendation: Auditor should review all change orders for correct processes and insure they are submitted to the board for approval prior to the expense being incurred. Auditor and staff should review the D5 current procurement code book (2008 is last update) for compliance with the SC Materials Management Office (MMO) changes and update accordingly. The last MMO update was 2019.

There should be a policy review of the policies relative to the expenditure cap for the district procurement requirements. What is the cap? Where is this indicated?

[REDACTED]

[REDACTED]

15. There are numerous consultants hired in the district. What are they doing that permanent staff cannot do? When you have this number of consultants in different departments, Districts have a staffing problem. Does each consultant have on file a scope of work? Are these consultants complying with that scope? Is there a vetting, bidding and quality control process on these consultants? Do they have contracts defining their term of assignment?

Recommendation: Analyze each consultant’s purpose and decide whether or not a permanent employee should be handling these tasks. The District should determine whether or not consultants are duplicating services of regular employees. There should be a vetting, bidding and quality control process on each consultant. Consultant payment and scope of work records should be reviewed through payroll and accounts payable from 2018 – present.

16. There are reports of misuse of purchasing cards (P cards) by administrators. What are the limits and conditions of use for P cards? Who is allowed to have those cards? How do they know of the guidelines for use? If there is misuse, what is the process of correction? How are expenditures made using P cards integrated into the District’s record of expenditures and inventory (if appropriate)?

Recommendation: The auditor and staff need to set the limits and procedures for training on correct use of P cards and the limits of necessary staff who hold those cards.

17. There is a similar issue with the distribution and use of district cell phones. What is the business rule for who receives a district-issued cell phone? Has there been a recent RFP issued for cell phone services?

Recommendation: The district's Acceptable Use Policy and the Use of District Property policies should be reviewed for accuracy and compliance. Cell phone bills should also be reviewed for appropriate use.

18. How old are the various service contracts issued by the district? For example, when was the last time the services for HVAC, fencing and landscaping bid?

Recommendation: All service contracts should be reviewed for re-bid dates.

[REDACTED]

[REDACTED]

Respectfully submitted by,  
Angela H. Bain, PhD  
Consultant to School District Five of Lexington and Richland Counties  
October 15, 2021

DRAFT Oct 14 2021