

PROCUREMENT EXAMINATION CONSULTING

PHASE III REPORT

JANUARY 31, 2023



TABLE OF CONTENTS

	Page
PROCUREMENT	3
TEMPORARY SUBSTITUTE EDUCATIONAL SERVICES	6
HR AND FINANCE SEPARATION OF DUTIES AND COMMUNICATION	8
PURCHASE ORDERS	10
DIRECT PURCHASES	11
PROCUREMENT CARDS	12
IRS FORM 1099s	14
VENDOR AND EMPLOYEE ADDRESSES	16
2008 BOND REFERENDUM	18
OTHER RECOMMENDATIONS	27
DISCLAIMER	31
EXHIBITS	

PROCUREMENT EXAMINATION AND CONSULTING
PHASE III REPORT

Board of Trustees and
Dr. Akil Ross, Superintendent of
School District Five of Lexington and Richland Counties
Irmo, South Carolina

We have been engaged to review procurement of the School District Five of Lexington and Richland Counties (the "District") for the period July 1, 2016 through June 30, 2021 and to examine other risk areas which may be outside this period. Our services are directed to answer Board and administration questions regarding procurement and other areas of compliance.[1] This report does not include information not provided to Jaramillo Accounting Group LLC (JAG), we used a sampling approach, and our report may have been different based on additional information. Management is responsible for the District's internal controls, fraud prevention and detection, and compliance with all requirements. Our examination does not provide a legal determination on the District's compliance with specified requirements. We encourage the Board to consult with its legal counsel on these matters. This is the third report on the District's compliance and related risk areas we have recommended further procedures on. This report focuses on procurement, P-cards, payments, reporting, the 2008 bond referendum, and temporary services expenditures.

PROCUREMENT

We have issued our corresponding procurement examination report regarding compliance over procurement with a modified opinion as of January 31, 2023 to the District. This Phase III report, along with the fiscal year 2021 Procurement Examination, Phase I, and Phase II reports, includes findings the District will be creating corrective action plans for. We have noted that the current Superintendent, Dr. Ross, and CFO, Ms. Paul, have been especially open to feedback and continue to work diligently to address our recommendations and implement and monitor corrective actions for the long term.

Animal Sciences Barn

Procurement Code Sections 3020.2.4 and 3025.1 were violated on the Horse Barn project:

- The original project budget was $181,500.
- The Board voted on February 22, 2016 to include $240,950 as one line item in the capital budget.
- Later, the CFO at the time stated the budget was increased to $275,000; however, we do not see this was approved by the board. Even if it was, Section 3025.1 prohibits changes exceeding the previous budget.
- The contractor was awarded $271,151 but paid $279,849. This is more than 10% of the budget and per Section 3020.2.4, the procurement should have been resolicited.
- We also noted several campaign contributions to Board Trustee members from this vendor.

[1] S.C. Code Ann. Section 11-35-540 (4). Authority and duties of the board.: "The board shall consider and decide matters of policy within the provisions of this [procurement] code including those referred to it by the chief procurement officers. The board has the power to audit and monitor the implementation of its regulations and the requirements of this code."

We recommend procurement and contract trackers, such as in project management software, to ensure compliance with the procurement manual, contract terms, funding limitations, board actions, etc.

Thompson Turner Construction

Thompson Turner Construction received a 5 year award to perform "Design-Build Services for Summer Capital Projects". Thompson Turner Construction entered into an agreement with a contract term of July 3, 2018 through July 2, 2023. The "expectation" of the contract is for the delivery of at least 60% of the annual work to be delivered was completed on or before August 15. The contract also allowed for "other miscellaneous construction and repair requirements throughout the year".

We tested Thompson Turner Construction for FY21 compliance with its construction contract (including Summer 2020 Activity which began in May 2020). We noted that for the time period of May 2020 to April 2021, there was $9,020,700 spent on construction costs. Of this amount, $7,024,531 (77%) was spent on Summer 2020 Projects by August 15, 2020. It appears as though Thompson Turner Construction met the contractual delivery of "summer work" timely.

We recommend the District track this compliance measure annually, if continuing to procure summer work.

MB Kahn

MB Kahn's contract for the 2019 Facilities Study was not approved by Board as specifically required by the Board of Education. The minutes of the March 12, 2018 meeting show the Board's vote giving permission for the Superintendent at the time to advertise with stipulation that contract must be approved by Board. Subsequent minutes of meetings do not show a vote to approve the contract.

We recommend the administration develop a tracker for each Board request with fields such as due date, responsible person, supporting document references, and date fulfilled.

Procurement Staffing

We believe the District was understaffed in Procurement. Although there is a Purchasing Specialist to support the Purchasing Coordinator, her main focus is on P-Card compliance. The Chief Procurement Officer is also the CFO and has a very heavy workload with supervision, reviews, approvals, research, budgeting, reporting, and many other areas of responsibility. There are one or two Buyers who assist with finding items and quotes for the Schools. Until May 2022, this left the Purchasing Coordinator to handle most all of the Procurement Manual compliance and procedures supporting bids, awards, and the many other required areas of the District's Procurement Code. In May 2022, another Buyer was hired who has been a significant help in the procurement area and is currently working toward the Certified Professional Public Buyer certification as administered by the UPPCC. Many of the solicitations that have been posted by the District in FY23 have been prepared by this Buyer and then reviewed by the Purchasing Coordinator.

The majority of the information we requested for the examination report had to be found and provided by the Purchasing Coordinator. **The District had over $365 million in capital assets as of June 30, 2022 and over $287 million in expenditures for the same year ended.** This is an extremely high volume to ensure compliance with all compliance and contractual matters (before, during, and after purchases) for essentially one position. Each grant, each bond, each building project creates many procurements and contracts to initiate, execute, and monitor.

Per our interview of the former Executive Director of Operations, if a bond referendum is passed it will be critical to add a construction position. He also recommended required rotation of professional service contracts, such as attorneys.

JAG recommends the District periodically examine the workload of the Purchasing Coordinator in light of the significant noncompliance found, and most importantly *as funding/project volume changes*, and make adjustments accordingly. Each preparer should continue to have a reviewer with the reviews and approvals documented with an audit trail. We recommend a tight document controls process so electronic documents are easily accessible, even emails with decisions on procurement and projects so records are not held on individual computers.

JAG resolutely recommends the Procurement Committee stay active to assist with oversight and what are called "upstream controls" and checks and balances by those independent of management. The more oversight the Committee can do to assist the Superintendent and CFO and to fulfill their fiscal responsibilities, the stronger the District will be with communication, controls, and ultimately, compliance. **Board Trustees have intractable fiduciary duties, including oversight, transparency, and accountability.**

With the District's history of capital projects having budget and quality challenges, we also strongly recommend maintaining a Construction/Capital Projects oversight/advisory committee, which must include Trustees, Administration, and members with experience in construction and project management.

JAG still recommends an Internal Auditor reporting to the Board of Trustees through an Audit Committee and has provided sample statutes, policies, and an Audit Committee Charter for your consideration. Management has been supportive and actively researching and proposing policies to the Board. In fact, on January 23, 2023, the Board of Trustees approved the budget amendment for FY23, which included a new Internal Auditor position.

Change Orders

During our review of procurement procedures for Dennis Corporation, we identified an issue with a high frequency of change orders and revisions to original contracts/quotes. Specifically, our testing revealed that for at least 5 out of 10 selections, the vendor had requested change orders and revisions related to the transaction. While we found that expenditures had proper supporting documentation, were properly authorized, and were for allowable costs within the correct period, the frequent use of change orders raises concerns about the processes related to the monitoring of adjustments to established POs and contracts. Dennis Corporation is under state contract and is used by the District in relatively small dollar value projects (less than $50,000, not requiring Board approval). As noted in Phase II, there were other vendors that did not issue change orders (for amounts over $50,000) as required by contract, by the Procurement Manual, and by District Policy.

Risks related to uncontrolled contract changes include the following: significant increases in total overall project spending, delays in agreed-upon completion dates for a project, scope changes that are no longer in alignment with original objectives and requirements, compromised work quality, and potential for fraud or abuse if adjustments are not adequately monitored.

The District should review its process for evaluating, approving, and tracking change orders based on clear guidelines and criteria. Additionally, any changes should be accurately reflected in the budget. Regular reviews and audits may better ensure that change orders and contract revisions are within District policy. **Again, we recommend active oversight/advisory Committees and an Internal Auditor reporting to the Board through an Audit Committee.**

TEMPORARY SUBSTITUTE EDUCATIONAL SERVICES

The District historically utilized Sub Finder for temporary substitutes until 2015. Kelly Educational Staffing (KES) presented their services at a Board meeting on January 12, 2015. The CFO at the time executed an Agreement for Educational Staffing on January 23, 2015. According to the agreement executed January 23, 2015 by the CFO at the time: "Kelly will invoice Customer each week for the services of the Assigned Employees **at agree-upon rates**. The **rates** at which Kelly will invoice the Customer (and any reimbursable expenses) **are listed** in Pricing Exhibit A (**Exhibit 5**). If the Customer's rates are not set out in Pricing Exhibit A, Kelly and the Customer will agree on rates at the time of an order, which Kelly will record electronically in its systems."

Subsequently, the District issued RFP #2018-043 for "Substitute Educational Staffing" and had 3 responsive companies. KES was awarded a one-year contract with the option to renew for 4 additional one-year periods. This term is from June 1, 2018 through May 31, 2023. The then CFO executed the new agreement on June 5, 2018. The contract was cancelled June 11, 2021 after Board Trustee Cathy Huddle had noticed and questioned from her oversight role the excessive charges for substitutes and issues with the contract and procurement.

JAG noted the amounts billed appear to exceed the stated daily billing rates without sufficient evidence to support the elevated rates of pay. Additionally, there was ineffective monitoring on employee time worked vs charged. **Per our discussions with Accounts Payable, direct payments were made to Kelly Education Staffing from a KES email without any controls or approvals in place.** Supporting documentation was not on file. Invoices were in one team member's email but not kept on file. The Accounts Payable clerk stated the former CFO, Len Richardson, was generally in charge of this and we did see an email with some questions he had on a KES invoice; however, there was no filing system or approval system for which we could audit. The lack of proper controls and approvals over billing rates and payments may result in overpayments, misallocation of resources, and increased risk for potential fraud. Ineffective monitoring also led to unexpected expenditure amounts that exceeded plan budget.

During review of required approvals, evidence for the rates billed to the District by KES was not available for review. JAG reviewed over 300 emails searching for position approvals and pay rate approvals. Furthermore, the rates billed by KES exceeded the agreed-upon contractual amounts. This increases the risk concerning the accuracy and fairness of the billing process.

Additionally, utilizing temporary staffing vendors could potentially compromise the District's budget management practices. The level of oversight for positions filled through KES is lower than the traditional route of Board approval, which could result in unexpected or excessive expenses.

Furthermore, the process of transitioning staff to Kelly Education Staffing appears to be more costly than paying the normal District salary. This is because the District must pay an additional fee to use Kelly Education Staffing's services, increasing the overall cost of labor without increasing the level of effort. And if the District places a person with the company, there is a 10% fee.

JAG noted the following areas of noncompliance and concern:

1. Scope: Services did not agree to the procurement. There were charges other than "substitute educational staffing".
2. Rates: **As reported in more detail in our Phase I report**, rates charged by KES were extremely high. There were rates paid of over $500 per day.
3. Not Procured: Rates charged were not on the procured schedules (**Exhibit 5**).
4. Approvals: The KES contractors themselves, the positions, and rates not on the schedule bid were

unapproved (or evidence of approvals were not provided to JAG).

5. No Purchase Orders: The District used Direct Payments to pay KES with no approval or budgetary Purchase Order controls.
6. Return to Work: There is higher risk of double dipping with employees who leave the District and return immediately through a "temporary" staffing vendor.
7. Oversight: The District Office seemed completely unaware of how time keeping worked in Frontline and what controls were in place to ensure there were not "ghost" workers and to ensure time charged was actually time worked.
8. Services: It has been reported that at least one individual was not even teaching, but rather babysitting on videoconference, classes and paid over $500 per day.
9. Budget: A former HR employee reported that this effectively circumvented the Board's budgetary controls of approving FTEs.
10. Estimates: The Intent to Award to KES estimated $10 million over 5 years, or $2 million annually. The actual costs far exceeded this estimate.
11. Not Temporary: We noted instances where employees were switched over to KES for other reasons than just temporary substitute work. For example, one teacher was switched over (as evidenced in email) in order that he could avoid paying certified teacher insurance rates.
12. Job Descriptions: Positions and work performed for the District did not always fall within the approved, procured job descriptions.

In conclusion, it is imperative that the District thoroughly review the contracts, invoices, and expenses related to temporary staffing to ensure that the billing process is fair and transparent, and that the District is not incurring unnecessary expenses in regard to staffing. The District should implement proper controls and approvals over billing rates and payments, including a review of invoices and documentation to support elevated rates of pay. The District should also establish rigorous procedures for monitoring employee time worked vs charged and implement controls over direct payments, such as requiring approval from multiple levels of management before processing payments.

Retirees Returning to Work

The South Carolina Public Employee Benefit Authority (PEBA) has specific rules for retirees who return to work for a covered employer. Under the PEBA Retirement System, retirees can return to work for a covered employer on a part-time basis without affecting their retirement benefits, as long as they meet certain criteria. These criteria include:

- The retiree must have been retired for at least one calendar month before returning to work.
- The retiree must work no more than 1,000 hours per calendar year.
- The retiree must not be employed in a position that is covered by another retirement system.

If a retiree works more than 1,000 hours per year, their retirement benefits may be suspended or reduced, depending on the circumstances. It is important for retirees who are considering returning to work to consult with PEBA or a financial advisor to understand how their retirement benefits may be affected.

"Double-dipping" under PEBA refers to the practice of a retiree returning to work for a covered employer while also receiving retirement benefits. Specifically, it refers to situations where a retiree who is receiving retirement benefits from the South Carolina Retirement System or the Police Officers Retirement System returns to work for a covered employer and earns more than the allowed earnings limit of $10,000 per calendar year.
If a retiree earns more than the allowed earnings limit, their retirement benefits will be suspended or reduced,

depending on the circumstances. This is because the South Carolina Retirement System and the Police Officers Retirement System are defined benefit plans, which means that retirement benefits are based on a formula that takes into account a retiree's years of service and average final compensation. If a retiree returns to work and earns more than the allowed earnings limit, it is considered "double-dipping" because they are receiving retirement benefits and a salary from their employer at the same time.

HR AND FINANCE SEPARATION OF DUTIES AND COMMUNICATION

Segregation of duties between the District's HR and Finance Departments is a control mechanism that ensures that no single person has complete control over the entire process of hiring, compensating, and managing employees. This separation of duties helps prevent fraud, errors, and other forms of misuse of District resources. HR is responsible for hiring and managing employees, while payroll is responsible for processing and distributing employee pay. By separating these functions, the risk of errors or fraud is reduced, as multiple people are involved in the process and can provide checks and balances.

As a general rule, the HR Director should approve matters related to employee recruitment, retention, and management, while the CFO should approve matters related to the District's financial management.

The HR Director would typically be responsible for approving matters such as:

- Employee hiring, termination, and promotions
- Employee compensation and benefits
- Employee training and development programs
- Employee performance evaluations and disciplinary actions
- HR policies and procedures

On the other hand, the CFO would typically be responsible for approving matters such as:

- Budgets and financial plans
- Capital expenditures
- Financial statements and reports
- Banking and investment activities
- Grant expenditures, reports, compliance
- Tax filings and other compliance

Of course, the specific responsibilities of the HR Director and CFO may vary depending on the size and nature of the District process at hand, and there may be some overlap in their duties. It is important for both to work together to ensure the smooth and effective operation of the District's resources. Effective communication between HR and Finance is essential for the smooth operation of the District, and while the HR Director and CFO may have different areas of focus and responsibility, their roles are interdependent.

Here are some ways in which HR and Finance can communicate effectively:

1. Regular meetings: Meet regularly to discuss matters of mutual interest, such as budget planning, hiring needs, and employee compensation.
2. Clear and concise reporting: Provide clear and concise reports on HR activities, including updates on employee headcount, hiring progress, and employee compensation. The CFO should provide financial reports and updates on budget planning and financial forecasting.

3. Collaboration on strategic planning: Collaborate on strategic planning to ensure that the District's HR and financial objectives are aligned. For example, the HR Director may identify staffing needs that will impact the budget, and the CFO may provide guidance on how to allocate resources to meet those needs.
4. Open communication: Maintain open lines of communication and be willing to share information and feedback. This can help prevent misunderstandings and ensure that both parties are working towards the same goals.

As a general rule, the CFO should approve matters related to the financial implications of HR activities that HR prepares. Here are some examples:

1. Budgets: The HR Director prepares the HR budget, which includes employee compensation, benefits, training, and other HR-related expenses. The CFO approves this budget to ensure that it is aligned with the overall financial goals of the District.
2. Employee compensation and benefits: The HR Director prepares employee compensation and benefits packages, which the CFO approves to ensure that they are in line with the District's financial resources and objectives.
3. Payroll: The HR Director prepares employee inputs, the Payroll Team implements these facts such as payrates, and the CFO approves to ensure that it is accurate and complies with relevant tax and labor regulations.
4. Compliance: The HR Director ensures that the District is in compliance with relevant labor laws and regulations. The CFO approves any financial resources needed to support compliance efforts.
5. HR technology: The HR Director may identify HR technology solutions that will support the HR function, such as an applicant tracking system or a performance management system. The CFO might approve the acquisition of these solutions and ensures that they are within the District's budget.

In summary, the CFO should approve HR activities that have a financial impact on the District, such as budgets, employee compensation, payroll, compliance efforts, and HR technology solutions. By working closely with the HR Director and approving these activities, the CFO can help ensure that the District is meeting its financial goals while also effectively managing its labor resources and compliance.

The CFO should not approve matters related to HR that are outside the scope of financial management, such as matters related to employee relations, employee development, or other HR policies and procedures. Here are some examples:

1. Employee relations: The HR Director is responsible for managing employee relations, including employee grievances, conflicts, and workplace issues. The CFO should not be involved in these matters unless they have a financial impact, such as if legal expenses or large settlements are incurred.
2. Employee development: The HR Director is responsible for employee development, including training and development programs. The CFO should not be involved in these matters unless they have a financial impact, such as if additional training expenses need to be incurred.
3. HR policies and procedures: The HR Director is responsible for developing and implementing HR policies and procedures. While the CFO may review these policies and procedures to ensure that they are financially sound, they should not be involved in the development process.
4. Recruitment: The HR Director is responsible for recruiting and hiring employees. While the CFO may be involved in approving the financial resources needed for recruitment efforts, they should not be involved in the selection process or other matters related to employee recruitment.

In summary, the CFO should not be involved in HR matters that are outside the scope of financial management. While the CFO may provide financial oversight and approval of certain HR activities, the HR Director has expertise and authority and related responsibilities for managing the workforce of the District. **HR should do the research and make decisions and recommendations; the CFO reviews and approves only certain items from the perspective of finance, budget, and compliance; and then Payroll/Accounts Payable Team Members implement the approved payments and benefits.**

PURCHASE ORDERS

A government Purchase Order (PO) is a legally binding document issued by a government agency to a supplier, authorizing the purchase of goods or services. It specifies the type and quantity of goods or services to be purchased, the price, delivery date, and payment terms. A PO is an encumbrance. An encumbrance is a commitment of funds for a specific purchase or expenditure. When the District issues a PO, it is committing to pay a supplier for goods or services, and the funds are set aside to fulfill that commitment. As a result, the amount of the PO is recorded as an encumbrance in the agency's accounting system, and it reduces the amount of available funds for other purposes until the PO is fulfilled and paid.

By recording the PO as an encumbrance, the District can keep track of its spending commitments and maintain control over its budget. POs help with budget controls in several ways:

1. Budget allocation: By using POs, the District can allocate funds for specific purchases and track their spending against their budget.
2. Spending limits: POs set spending limits for each purchase, ensuring that expenditures do not exceed the budgeted amount.
3. Authorization: POs require approval from authorized personnel before purchases can be made, preventing unauthorized spending.
4. Monitoring: POs allow the District to monitor purchases and their associated costs, enabling them to identify areas where they can reduce spending and improve their budget control.
5. Accurate financial reporting: POs provide a record of all purchases, which helps with accurate financial reporting, forecasting, and planning.

Overall, POs help government agencies maintain control over their spending, stay within their budget limits, and make informed and approved decisions regarding their financial resources.

Purchase Orders Not Rolled Forward

During our review of Direct Payments, with 157 selections and over 300 documents reviewed/examined including procurement support, approval documents, and email communications, JAG observed that purchase orders were not rolled to the appropriate fiscal year in multiple transactions over various fiscal years. This may lead to potential overstatement or understatement of expenditures in the current fiscal year, the inability to accurately budget or forecast for the future, and non-compliance with regulations related to financial reporting.

Management has contacted iVisions on several occasions and is working toward a solution. The District has talked to bookkeepers about these input errors in the past and will continue to train on these inputs because it does affect whether they will roll or not in the system. To address this issue, we recommend the District establish procedures and controls to ensure that purchase orders are rolled to the appropriate fiscal year. This may include regular reviews and monitoring of the purchase order process followed by a documented fiscal year close out procedure to identify and reconcile outstanding purchase orders. Additionally, training of related staff and documented procedures may assist in the consistent application of the purchase order process.

Blanket Purchase Orders

We noted during testing there is no clear distinguishment between the use of Blanket Purchase Orders (BPOs) and regular Purchase Orders. We reviewed 30 procurement documents, the procurement policy, and exemptions and noted that for 5 out of 9 BPO selections tested in our sample, including a cab company for $100,000 (these transportation services are required by law), were classified as BPOs yet processed through Purchase Orders. Although agreements may fall within the District's "Procurement Code Exemption" policy, items classified as blanket purchases have required provisions as prescribed in section 1550.4.2 of the District Five Procurement Manual 2008 which include: Description of the agreement, period of performance, dollar ceiling price, delivery instruction, invoicing requirements, competition guidance, communication guidance, acceptance requirements, and review procedures.

To ensure compliance with organizational policy and applicable regulations, JAG recommends the District clearly distinguish between BPOs and regular Purchase Orders in their procurement processes. This can be achieved by implementing specific procedures and controls for BPOs, such as requiring all BPO agreements to include the provisions outlined in section 1550.4.2 of the manual, and by properly training employees on the differences between BPOs and Purchase Orders including the process flow for allowable exemptions. We do recommend issuing BPOs for utilities, so budget is properly encumbered and tracked. Additionally, regular monitoring and review of BPOs should be conducted to ensure compliance with District policy and applicable regulations.

DIRECT PURCHASES

From fiscal year 2016 through 2022, the District paid $155,605,072 on invoices for which there were *no purchase orders assigned* for these direct payments. A large number of automatic transactions are "Teacher Supply" which provides the stipend to all employees at the beginning of the year based on prior year headcounts. Most direct payments are reimbursements for things such as meals and materials for events and fundraisers / reimbursements for purchases (like clothing or uniform for students) / reimbursements for allowable travel. Our testing also included direct payments for utilities (the District does not use BPOs for these, but probably should) and "quick pay processing" payments. Management has confirmed these quick pays were most likely payments for un-rolled POs which necessitated a timely payment (as many of these were for construction with open POs).

Fiscal Year	Direct Purchases
16-17	$ 14,887,311
17-18	$ 15,458,586
18-19	$ 22,076,053
19-20	$ 35,449,984
20-21	$ 37,249,826
21-22	$ 30,483,314
Grand Total	**$ 155,605,074**

Kelly Educational Staffing was paid over $13 million with direct payment, as discussed above.

Legal Counsel Payments

After conducting a review of law-related vendors and their respective Direct Payment transactions, we have determined that each legal vendor had the necessary 1099 forms on file. Additionally, payments noted in transaction listings agreed to support documents within I-Visions and appear allowable. Proper approvals were provided for the payment of the invoice. Expenditures were incurred within the period of availability. No significant issues or discrepancies were identified.

Teacher Supply Reimbursements

The test of $2,050,125 in teacher supply reimbursements revealed that out of 50 samples selected, 10 from each fiscal year (FY17 through FY21), there were 2 deviations. These exceptions were found to be due to employees who were not active in the current year but were previously active and qualifying employees. The use of prior year employee lists for teacher supply reimbursements is reasonable as payments are made at the beginning of a new fiscal year and thus, it would not be possible to predict staffing changes that will occur during the year.

Additionally, employees have the right to retain the supplies even if they leave the District. Based on the results of this test, it appears that the teacher supply reimbursements are reasonable and comply with regulations. This area appears to be low risk, as support is not required, and the District was compliant.

Using Direct Payments has some drawbacks, including:

1. Lack of control: Direct Payments are made without the same level of oversight and control as Purchase Orders, which can increase the risk of fraud, waste, or abuse of funds.
2. Poor record-keeping: Direct Payments are often made without proper documentation, making it difficult to track and reconcile payments and creating the potential for errors.
3. Lack of transparency: Direct Payments can lack transparency and accountability, making it difficult to determine how funds are being used and by whom.
4. Inability to track spending: Direct Payments are often not recorded in the same way as Purchase Orders, making it difficult to track government spending and comply with financial reporting requirements.
5. Reduced competition: Direct Payments may reduce competition for goods and services, as suppliers may not have to compete for business in the same way as they would under a Purchase Order system.

Therefore, it is important for governments to carefully consider the benefits and drawbacks of Direct Payments before deciding to use them and to put proper controls in place to minimize the risks associated with their use.

PROCUREMENT CARDS

Following up on certain P-Card purchases noted in Phase I report, we noted:

1. BOA suspected fraud and froze the card used to attempt to purchase Victoria's Secret. The Procurement office verified the card had been compromised and JAG verified the card ending in 6049 was cancelled.
2. Schools are encouraged to use the District print shop but are not required. Certain Blocked MCC codes stated "Not Enough Available Money" which means the cardholder has exceeded the monthly transaction limit amount.
3. The exercise/yoga equipment attempted purchase was blocked due to the cardholder exceeding the monthly transaction limit. The District did not provide information on the validity of the attempt.
4. BOA suspected fraud on the card used to attempt to pay $1,500 to each Association and Unity Churches and Howling For Wolves. Charges were not posted. The District did not provide information on the validity of the attempt.
5. The flower shop attempted purchase was declined and not posted.
6. The blocked MCC for Adidas and sporting good resulted in the District verifying the charge and allowing it to post.
7. BOA suspected fraud on the hearing aid sales and froze the card. The Procurement office verified the charge was legitimate and allowed it to post.

There is adequate segregation of duties between cardholder purchases and the review/approval of these purchases prior to payment. The Purchasing Specialist has a well-organized process and filing system for P-Cards.

MCC Codes

MCC codes (Merchant Category Codes) are four-digit codes used by the payment card industry to classify merchants into various industries or categories. These codes are assigned by the payment card networks (such as Visa, Mastercard, etc.) and are used to determine the type of merchant and the type of products or services they provide.

MCC codes are used to help the payment card networks and financial institutions monitor and manage the types of transactions processed on their networks. For example, MCC codes can be used to identify high-risk merchants, differentiate between merchants that sell tangible goods versus merchants that provide services, and to determine the appropriate fee structure for processing transactions. MCC codes are important for merchants because they determine the type of card-accepting business they operate, which affects the fees and charges associated with accepting payments from customers, as well as the merchant's liability for disputes and chargebacks.

When MCC blocks occur at the financial institution, the District is sent an email. These emails are not always retained, so we recommend they are, and any phone calls are documented. The card is on hold until reviewed by the Procurement office. Actions are taken based on the details surrounding the declined charge after consultation with the cardholder. Most blocked charges are a result of a compromised card that is then closed by the office.

Declined Transactions

If a transaction is declined, it will not post unless the Procurement office calls BOA and verifies the charge. If BOA detects what they think is fraud, they will send the District an email and freeze the card. The Procurement office will then contact the bookkeeper/cardholder and go through the transactions to verify and then call BOA. If the office cannot verify the charge, they will have BOA cancel the card and reissue a new one. Most of this is done via phone calls; however, we did note that emails should be printed and retained as an audit trail for any of these situations and has not always been. Declines also occur for bad PINs, closed accounts, card activation issues, etc.

Personal Use

We reviewed several folders of reports of personal use of P-Cards. This entails a description of the incident and the result. There do not appear to be consequences for repeat offenders.

Here are some internal control recommendations to prevent and detect fraud, waste, and abuse in the Purchasing Card (P Card) process:

1. Establish clear policies and procedures for P-Card usage, including guidelines for cardholder responsibilities and transaction limits. This should include consequences for noncompliance, for example:
    a) Card Misuse. Misuse includes any use that deviates from the Procurement Code and District's Procurement Manual, these Policies and Procedures, and/or District Policies and Procedures. If the Procurement Card is misused, the Agency shall document the misuse and follow the steps set forth below:
        1. Immediately remove the Procurement Card from the Cardholder's possession;
        2. Seek full restitution from the Cardholder plus interest at the rate of 18% per annum from the date of the transaction;
        3. Follow District Personnel Office disciplinary procedures up to and including termination; and

4. Inform the Superintendent in writing, within one (1) business day; and inform card issuer, in writing, within one (1) business day.

b) JAG has provided the CFO with another large school district's P-Card Policies and Procedures to use as an example.

c) JAG has also provided example university policy information on unallowed and allowed expenditures and on P-Card restrictions.

2. Implement a thorough approval and review process for P-Card transactions, including regular reconciliation and verification of transactions.
3. Although there is proper segregation of duties within the P-Card process, such as having different individuals responsible for card usage and reconciliation, we recommend a strong audit trail for issuance and regarding the follow through any blocked/declined/personal use.
4. Continued, documented training to P-Card holders and approving managers on P-Card policies, procedures, and best practices to minimize fraud, waste, and abuse.
5. Regularly monitor and audit P-Card transactions to identify any unusual or suspicious activity.
6. Use fraud detection tools and techniques such as automated alerts, transaction analysis, and data mining to identify and prevent fraudulent activity.
7. Implement strong security measures to protect sensitive information, such as passwords, card numbers, and transaction records. Since it has been reported that staff sometimes loan out their cards, this should be prohibited.
8. Regularly perform P-Card compliance audits, as the District has not had an official P-Card audit since the Purchasing Coordinator came in 2016 and she is not aware of any before. This could easily be accomplished by the future Internal Auditor.
9. Regularly evaluate the effectiveness of the internal control environment and make changes as necessary to improve the control environment.

IRS FORM 1099s

During our review of total IRS Form 1099 vendor listings over 6 fiscal years (FY16-21), there were discrepancies found in the District's process, with 1099s being sent in error and other 1099s not being sent as required. Risks associated with 1099s being sent in error or not being sent when required include legal and financial consequences, damage to reputation and trust, and potential data privacy issues.

An IRS 1099-NEC, also known as a "Nonemployee Compensation" form, is used to report payments made to non-employee contractors for services rendered during the tax year. Some common examples of payments that qualify for a 1099-NEC include:

1. Freelance work: Payments made to freelance writers, graphic designers, web developers, etc.
2. Consulting services: Payments made to independent consultants for professional advice or services.
3. Legal services: Payments to attorneys for services rendered as non-employee contractors.
4. Rent: Payments made to landlords for rental properties.
5. Director fees: Payments made to non-employee directors for serving on a board of directors.
6. Prizes and awards: Payments made for prizes and awards that are not for services rendered.
7. Subcontractor services: Payments made to subcontractors for services performed for a business.

The threshold for issuing a 1099-NEC is $600 or more in a calendar year to a single non-employee contractor. However, there are some exceptions, such as payments made for personal, living, or family expenses, which are not reportable on a 1099-NEC. It is important to note that a 1099-NEC should only be used to report payments to non-employee contractors and not to employees, as payments to employees are reported on a W-2 form.

We noted one landscaping lawn service vendor who was not issued an IRS Form 1099 for $73,345. To the District's knowledge, this was not a related party and appears to be an error in the coding in iVisions. When a vendor is created, there is a field where staff indicates "Y" a 1099 should be issued or "N" one should not be issued. This is based upon the IRS Form W-9 provided to the District by the vendor. The District has issued this vendor a 2021 1099-NEC to correct the error and corrected the setting in iVisions so he automatically receives a 1099-NEC for 2022, if applicable.

There were certain vendors with 1099s sent for which we could not match the name to vendors paid. This could be a result of different iterations typed in for vendors or dba names. There were also differences between the vendor disbursement reports and the vendor totals reports. There were over 250 vendors for staff to verify, as they indicate "LLC" but were not issued a 1099. The following is a summary of 30 which were sent an IRS Form 1099 but perhaps should not have been if the names included "Inc" or "Corp".

Year	Sum of Invoices
2016	$ 72,066
2019	42,768
2020	17,721
2017	15,733
2018	34,148
Grand Total	**$ 182,436**

IRS Form 1099-NEC, Nonemployee Compensation, should not be issued to corporations, including S corporations and limited liability companies (LLCs) that have elected to be taxed as corporations. Payments made to tax-exempt organizations, such as 501(c)(3) organizations, are not reportable on Form 1099-NEC. Entities should be issued 1099s if they are a single-member LLC or a partnership; if the LLC is taxed as an S Corporation, it should not receive a 1099. The District's management will research these items.

To correct this issue, the District should implement stronger internal controls and procedures for issuing 1099s, including reviewing and approving all 1099s before they are sent out. The District should also conduct regular audits of their 1099 issuance process to ensure compliance and identify any errors in a timely manner. Additionally, the District should review the reasons why the required 1099s were not sent and take appropriate action to ensure that they are issued correctly in the future.

Advice, rules, and internal controls on ensuring compliance with IRS rules on issuing 1099-NECs include:

1. Proper documentation: Keep accurate records of all payments made to non-employee contractors, including the name, address, taxpayer identification number (TIN), and amount paid.
2. Timing: Issue 1099-NECs to non-employee contractors by January 31st of the year following the payment.
3. Thresholds: Issue 1099-NECs for payments of $600 or more in a calendar year to a single non-employee contractor.
4. Correct Form: Use the correct form (1099-NEC) to report payments to non-employee contractors.
5. Backup Withholding: Consider backup withholding if the recipient's TIN is not reported or incorrect.
6. Internal controls: Establish internal controls to ensure compliance with IRS rules on issuing 1099-NECs, such as regular audits, training of employees, and using automated systems to track payments and TINs.
7. Filing and reporting: File the 1099-NECs with the IRS by the due date, and provide a copy to the recipient by the same date.

By following these rules and implementing strong internal controls, the District can help ensure compliance with IRS rules on issuing 1099-NECs, reduce the risk of penalties, and maintain accurate records of payments to non-employee contractors.

VENDOR AND EMPLOYEE ADDRESSES

There is risk of fraud when employees and vendors share the same address, and we identified this as a follow up area in Phase I.

Duplicate Address Testing

We reviewed the addresses listed in the District's records and identified various duplications. Upon further investigation, we found that these duplications were reasonable and did not appear to be the result of fraud or conflict of interest. JAG reviewed 230 selections and over 300 documents related to verifying reasonability of vendor expenses related to employees including any potential conflict of interest issues. We were able to confirm that the duplicated addresses were for legitimate business purposes. We also found that the related parties listed at these addresses were appropriately disclosed and did not present any conflicts of interest. Overall, our review of the addresses and related parties did not reveal any trends of fraud or conflict of interest. We conclude that duplications identified in the District's records are reasonable and do not warrant further investigation at this time; however, this is an area for management to maintain *preventative and detective controls* on.

Vendor Naming Conventions

We noted during vendor payment testing over BPOs over 5 fiscal years, that duplicate vendor names are found in the vendor database, where multiple names are used by a single vendor. This increases the risk of duplicate payments and inaccurate monitoring of outstanding BPOs, testing for employee and vendor address matching, and proper issuance of 1099s.

JAG recommends implementing a matching system to identify duplicate vendor names and regularly review and update the vendor master database to ensure accuracy and completeness. Procedures should be developed to flag duplicate vendors for review. Procedures performed should be routinely scheduled and documented.

To prevent and detect fraud in cases where employees and vendors share the same address, internal controls that can be implemented include:

1. Segregation of duties: Assign different people to handle different aspects of the transaction process to reduce the potential for fraud.
2. Background checks: Conduct thorough background checks on employees and vendors to identify any potential red flags that may suggest a higher risk of fraud.
3. Documentation and record-keeping: Ensure that all transactions and communications with employees and vendors are properly documented and maintained in a secure and accessible location.
4. Independent review: Establish a system of independent review and audit procedures to ensure that transactions are accurate and free from fraud.
5. Data analysis: Use data analysis tools, such as data mining and predictive analytics, to identify unusual patterns or transactions that may indicate fraud.
6. Anonymous reporting: Provide a secure and anonymous reporting mechanism for employees and vendors to report any suspected fraud.
7. Communication and training: Regularly communicate and educate employees and vendors about the risks of fraud and the importance of reporting any suspected instances.

By implementing these internal controls and remaining vigilant, Districts can reduce the risk of fraud involving employees and vendors with the same address and increase the chances of detecting fraud if it occurs.

$1M PAYROLL ENTRY

This summarizes our conclusions on the $1+ million JAG discovered in a payroll record for an employee ("PK"):

SUPPLEMENTAL PAY

Description Salary Schedule	FTE	Amount
Additional Pay - Miscellaneous	0.00	1,013,042.70

- It appears PK was indeed set up with this $1+ million additional pay into a salary schedule, but that it was not used. As a bus driver, this employee was paid almost exclusively by trip through this additional pay module. The District may have been trying to pay $235 at $17.40 an hour, but it was entered into the wrong fields in the Master File to where it then multiplied out by his number of position days (approx. 247 days).
- There is no date to check for us to test direct deposits or checks or transfers. We were able to narrow it down to fiscal year 2015-16, which took some time.
- Because we do not have a date (probably because there was no payment out), we did search the entire 2015-16 General Ledger, which includes cash, checks, transfers, journal entries, etc. and did not see this amount paid or moved with a journal entry out.
- It appears to be a data entry error which most likely did not result in a payment to PK. We also checked the related W-2 generated by the system.
- Per District Payroll's discussions with iVisions, there was no payment. We also checked with our iVisions consultant, and she corroborated that just because this amount is in the Master file, it does not mean PK was paid the amount.
- Also, per Payroll, this was during a time where they had to hand key in a lot of information for the upgrade to iVisions. They even went to another location to do this, and it was an intensive process. We are not certain this happened because of the upgrade, but it was around the same timeframe.
- Between the District and JAG, approximately 10 experienced team members reviewed this situation.

This $1+ million payroll entry appears to be a data entry error with the rate in the additional pay in a salary schedule in the master file, but not paid out to the employee.

In general, internal controls and safeguards during a software upgrade or transition to a new software program include:

1. Risk assessment: Conduct a thorough risk assessment to identify potential problems and determine the necessary controls and safeguards to mitigate them.
2. Testing: Perform thorough testing of the new software in a controlled environment before deployment to the production environment.
3. Data backup: Make a backup of all important data before the upgrade or transition to the new software.
4. User training: Provide training to users on the new software to ensure they are aware of any changes and can effectively use the new system.
5. Access control: Implement strong access control measures to ensure that only authorized users can access the new software and data.

6. Documentation: Develop and maintain detailed documentation of the software upgrade or transition process, including any problems and solutions.
7. Monitoring: Monitor the new software for any problems or security incidents and respond promptly to address them.

By implementing these internal controls and safeguards, Districts can help to ensure a successful software upgrade or transition and reduce the risk of data loss or security incidents. More specifically for this instance, we recommend in the future that the District (HR, IT, Payroll) pre-audit all master pay schedules prior to going live with the upgrade.

2008 BOND REFERENDUM

The 2008 Bond Referendum was ordered by the Board on May 27, 2008 and was successfully approved by voters on November 4, 2008. The referendum allowed the issuance of $243.6 million in general obligation bonds to finance the costs of new construction and equipping of three new schools, as well as a career and technical education (CATE) facility. Additionally, "additions, renovations, improvements and modifications, including technology and equipment," could be financed for seven other school sites. The Referendum Question is shown in **Figure 1**. This same language was copied in each bond resolution, offering statement and closing statement relating to this referendum. We note that this language is broadly written and does not contain reference to specific, individual projects at each school site.

Shall the Board of Trustees of School District No. 5 of Lexington County and Richland County, South Carolina (the "School District") be empowered to issue, at one time or from time to time, general obligation bonds of the School District, in the principal amount of not exceeding $243,665,000, the proceeds of which shall be used to finance the costs (including architectural, engineering, legal and related fees) of acquiring land, constructing, improving, equipping, expanding, renovating and repairing school facilities within the School District as follows:

Constructing and equipping (including technology) the following schools:

A new high school, a new career and technical education facility, a new middle school and a new elementary school

Additions, renovations, improvements and modifications, including technology and other equipment for the following schools:

Leaphart Elementary School, Seven Oaks Elementary School, Irmo Elementary School, Chapin Elementary School, Irmo High School, Dutch Fork High School and Chapin High School?

Figure 1 - 2008 Bond Referendum

We have been asked to determine whether proceeds from these bonds were expended on projects that were not authorized and allowable by the conditions in this Referendum Question. Specific concerns included whether proceeds were expended on architectural fees for the Chapin Middle School addition and the Piney Woods Elementary School project design, or for other unallowable architectural, legal, or construction services.

In order to address these concerns, we performed testwork to first verify populations of transactions by performing a roll-forward of bond referendum activity for debt service funds, and then reconciling debt service and capital project fund populations to the audited financial statements for that time period. We tested populations of operating disbursements, payroll disbursements, and manual journal entries, in order to test those transactions for existence, and to attempt to determine if costs were allowable under the conditions of the Referendum Question. We also obtained further evidence of allowability of costs by summarizing activity of funds

not restricted for conditions of 2008 Bond Referendum, which had been comingled with the Bond Referendum funds. We performed a review of Board minutes to provide further context to the above and to observe any Board approval for any changes to scopes of these projects.

First, in order to determine what is considered an unallowable cost, we have reviewed South Carolina Attorney General Office (SCAGO) opinions that address similar subject matter. In Op. S.C. Atty. Gen. May 8, 2003, SCAGO explained when asked if bonds may be expended on "purposes other than those described in the referendum, bond resolution, offering statement and closing statement" that:

> The general test applied by our Supreme Court as to whether a particular referendum is upheld or set aside is whether "when viewed as a whole, [the referendum] ... would likely mislead the average voter." Lowery v. Bright, 234 S.C. 279, 107 S.E.2d 769 (1959). It is the purpose of a bond referendum to "determine the will of the voters upon the assumption of a public debt to the amount of and for the object proposed." Fairfax County Taxpayers Alliance v. Bd. of County Supervisors of Fairfax, 202 Va. 462, 117 S.E.2d 753 (1961). The general purpose of the debt "must be stated with sufficient certainty to inform and not mislead voters as to the object in view . . . ." The painstaking details of the proposed work or improvements, of course, need not be set out in the ballot. Id.
>
> In Tipton v. Smith, et al., our Supreme Court articulated the general standard for legal sufficiency of a referendum. Quoting with approval the Massachusetts case, In re Opinion of Justices, 271 Mass. 582, 171 N.E. 294, 297, 69 A.L.R., the Court stated that the referendum
>
> ... must be complete enough to convey an intelligible idea of the scope and import of the proposed law. It ought not to be clouded by undue detail, nor yet so abbreviated as not to be readily comprehensible. It ought to be free from any misleading tendency, whether of amplification, of omission, or of fallacy. It must contain no partisan coloring. It must in every particular be fair to the voter to the end and that the intelligent and enlightened judgment may be exercised by the ordinary person in deciding how to mark the ballot.

We have considered the above opinion in our evaluations and testing; however, we will note, as SCAGO did in its opinion, that **the determination of whether a particular bond referendum is misleading is a factual determination that only a court can decide**.

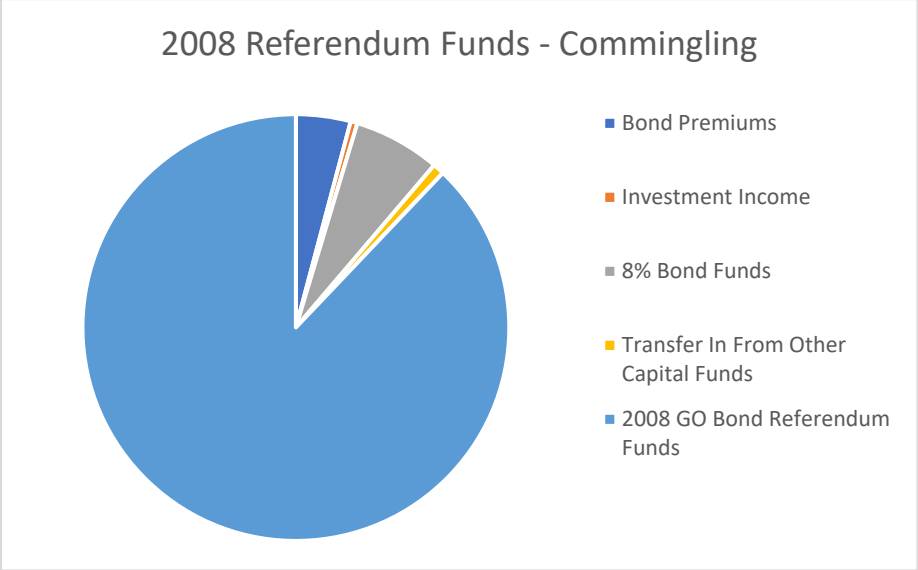
In addition to the language of the Referendum Question, bond resolution, offering statements and closing statements, we also considered other information surrounding the referendum that was available to voters. A Yellow Flier was distributed by the District to voters prior to the referendum, as shown in **Exhibit 1,** which details $234.6 million in projects that would be funded by the referendum. Voters may rely on such communications for their understanding of the intent of the bond referendum, and therefore it could be argued that voters could have been misled if there were material deviations from information disseminated in the Yellow Flier.

Debt Service Roll-forward and Reconciliation

In order to establish that we were testing all 2008 Bond Referendum funds, we first obtained Bond Official Statements for 2008 Bond Referendum Debt from both from District and from third parties (Electronic Municipal Market Access (EMMA) filings). We cross-referenced these documents and then used them to create a long-term debt "roll forward" schedule, showing beginning principal balance, additions, retirements, and ending principal balance, for each period, and a combined debt service payment schedule. These schedules were used to vouch all principal and interest payments on 2008 Bond Referendum Debt in the Debt Service Funds.

These debt roll-forwards are shown, by fiscal year, in **Exhibit 2**. All principal payments shown on these schedules tied to the District's general ledger, and were vouched to debt service payment schedules, without exception. The general ledger was vouched to the audited financial statements for each year, without exception.

The following chart demonstrates how the District commingled other funding sources within the 2008 GO Bond Referendum's accounting funds:



Capital Projects Disbursements Testing

We obtained general ledger detailed information for capital projects funds for the 2008 Bond Referendum (Funds 535 and 536) between Fiscal Years 2008-2009 and 2019-2020. We reconciled this information to provide summary trial balances, which were then tied to audited financial statements for each fiscal year. From this information, we selected a sample of accounts payable disbursement transactions. We selected transactions for certain of 40 vendors with over $500,000 in expenditures. For these sample items, we vouched the transactions for existence of applicable supporting documentation including an approved purchase order, and to invoice or construction pay application. If we noted a change order, we tested these for proper approval. $148,003,165 in expenditures were tested for existence of supporting documentation without exception.

A summary of expenditures, by project location, is shown in **Exhibit 3**. It appears that projects not in the referendum documents were funded, such as $13.3 million to CHS for an arena-style gym, $16.8 million to DFHS for a fieldhouse, and $25.8 million to IHS for a Fine Arts Center.

Journal Entry Testing

From the general ledger detailed information for capital projects funds for the 2008 Bond Referendum (Funds 535 and 536) between Fiscal Years 2008-2009 and 2019-2020, we selected all general journal entries with totals debits over $100,000 for testing. 55 transactions were selected for testing for accuracy, proper business purpose, completeness, and proper period. Supporting documentation for 15 of these transactions could not be provided by the District, all relating to Fiscal Year 2010-2011 or earlier.

The tested journal entry transactions primarily related to debt transactions, recording of accruals for accounts and retainage payables, allocation of construction management costs between projects, and reclassification expenditures between accounts or between projects. We did not note any exceptions or unusual activity in those items that were tested to support.

Funds Not Restricted for Conditions of 2008 Bond Referendum

From the general ledger detailed information for capital projects funds for the 2008 Bond Referendum (Funds 535 and 536) between Fiscal Years 2008-2009 and 2019-2020, we performed an analysis of all transactions related to funds not restricted for the 2008 Bond Referendum. These funds include net transfers to and from other funds, investment income, and also premiums on bond issuance. A summary of this activity is shown below:

Transaction Type		Amount	Date	Description
Bond Premiums	$	11,264,557	Various	
Investment Income		1,405,001	Various	
Transfer in		14,573,351	4/10/2014	From Fund 580, 2010 Bond Sale (8% bonds). *
Transfer in		1,762,707	4/10/2014	From Fund 582, 2012 Bond Sale (8% bonds). *
Transfer in		1,500,000	4/10/2014	From Fund 582, 2014 Bond Sale (8% bonds). *
Transfer out		(2,080,168)	4/21/2017	Fund 537, Chapin Middle School New Wing.
Transfer out		(2,061,160)	1/30/2019	Fund 537, Chapin Middle School New Wing.
Transfer out		(804,485)	1/30/2019	Fund 537, Chapin Middle School New Wing.
Transfer in		1,868,357	6/30/2020	From other capital funds, in order to close fund.
Transfer in		495,602	6/30/2020	From other capital funds, in order to close fund.
Total	**$**	**27,923,762**		** To consolidate funds for Chapin Middle School.*

$12,669,558 in funds related to bond premiums and to investment income. As noted in the Phase I report, the District's bond advisor, Frannie Heizer, had provided the former CFO with an opinion that the bond premiums and interest could be used for bond referendum projects, such as the Chapin Middle School addition. She also provided the opinion that the addition could fit into the language in the original bond referendum the voters approved.

$20,200,017 was the net of all 8% bond funds transferred in to construct Chapin Middle School. $4,945,813 was transferred out to Fund 537 in order to construct the new wing at the school. New wing construction was also supplemented with $5 million in transfers from the general fund. $1,891,741 of Fund 537 funds were subsequently transferred to Fund 538 to design the Piney Woods Elementary School.

Revenue Source	Amount
Bond Premiums	$ 11,264,557
Investment Income	$ 1,405,001
8% Bond Funds	$ 17,836,058
Transfer In From Other Capital Funds	$ 2,363,959
2008 GO Bond Referendum Funds	$ 238,882,189
Total GL Expenditures on Projects	**$ 271,751,764**
2008 GO Bond Referendum Funds	$ 238,882,189
Transfer Out for Chapin Middle School	$ 4,945,813
	$ 243,828,002
2008 Referendum Amount	**$ 243,665,000**
Difference	$ (163,002)

Bond Projects Budget Testing

We performed a review of Board minutes and of bond budgets (from the general ledger) and project budgets (from the construction manager) that were provided to us by the District. In our review, we noted certain significant changes to scope for projects, and associated budget adjustments at the project site level. We observed that while the Board passed annual capital budgets, these budget approvals appeared to be separate from those of the bond budgets and project budgets, for which we did not observe Board approvals.

Project budgets experienced a significant adjustment from their original Fiscal Year 2008/2009 budgets on January 28, 2013. It was at this time that budget was increased to account for bond premium and to-date investment income, and for anticipated transfers in of 8% bond funds, which were to be use for the newly Board-approved scope for Chapin Middle School. $24.1 million was transferred out of the New Elementary School project, as well as remaining funds for other closed projects. In total, there were $56,422,701 in increases to scope for projects at Chapin High School, Dutch Fork High School, Spring Hills High School / CATE, and Irmo High School.

Additionally, there was $11,735,941 budgeted for "new design and construction, which had already incurred $6,984,326 in unbudgeted expenditures in previous fiscal years (see **Exhibit 3**). "District wide" projects also incurred $1,127,901 in unbudgeted expenditures in previous fiscal years, and $1,433,092 in total through Fiscal Year 2017/2018 (see **Exhibit 3**).

These changes to budget are shown in the table below:

Project Site	FY08-09 BUDGETED ORIGINAL	FY13-14 PROJ BUDGET * @ 1/28/2013	Budget Adjustment	Notes
CHAPIN ELEMENTARY SCHOOL	$ 9,712,797	$ 9,056,802	$ (655,995)	Remainder transferred to other projects
CHAPIN HIGH SCHOOL	42,670,724	55,470,724	12,800,000	See Exhibit 4 for increases to scope
DUTCH FORK HIGH	1,448,217	17,467,688	16,019,471	See Exhibit 4 for increases to scope
NEW ELEMENTARY SCHOOL	24,754,081	623,971	(24,130,110)	Not constructed. Budget transferred to other projects
NEW MIDDLE SCHOOL (CHAPIN MS)	33,834,023	27,137,982	(6,696,041)	New scope approved by board on 01/28/2013
NEW HIGH SCHOOL (SHHS) / CATE	75,757,026	78,757,026	3,000,000	See Exhibit 4 for increases to scope
IRMO ELEMENTARY	16,886,827	17,441,362	554,535	See Exhibit 4 for increases to scope
IRMO HIGH SCHOOL	3,458,826	28,062,056	24,603,230	See Exhibit 4 for increases to scope
LEAPHART ELEMENTARY	12,483,597	12,243,049	(240,548)	Remainder transferred to other projects
SEVEN OAKS ELEMENTARY	11,330,459	11,293,369	(37,090)	Remainder transferred to other projects
NEW DESIGN & CONSTRUCTION	-	11,735,941	11,735,941	Expenditures incurred prior to budget
DISTRICT WIDE	-	-	-	Expenditures were unbudgeted
TOTALS	**$ 232,336,577**	**$ 269,289,970**	**$ 36,953,393**	** District did not have a more recent project budget*

A list individual projects that were added to scope is included in the District's May 5, 2014 5-Year Review of Capital Projects (**Exhibit 4**).

While the District has argued that the $27,923,762 in unrestricted funds allowed for some of these changes, it appears that at a high level, the $68,158,642 in budgeted additions to scope on January 28, 2013 exceeded the unrestricted funds by $40,234,880. Individually significant items in the increased scopes included an arena style gym and Chapin High School, a fieldhouse at Dutch Fork High School, and a Fine Arts Center at Irmo High School. **As it was communicated to voters in information surrounding the bond referendum that a new school would be built, and not these other significant individual projects, it could be argued that a voter may have changed their vote if presented with the above information.**

Per *Section 59-71-180 of the South Carolina code (Supp. 2008):* "The proceeds from the sale of bonds…..**must be applied solely to the purposes for which the bonds were issued**, except that the accrued interest, if any, must be used to discharge in part the first interest to become due on the bonds." (Emphasis added).

Per *Op. S.C. Atty. Gen., August 19, 2009:* "The School Bond Act prohibits the expenditure for any item that is not a part of the capital expenditure purpose for which the bonds were issued. *Op. S.C. Atty. Gen., June 7, 1993.* Moreover, in that same opinion, we specifically stated that funds resulting from the School Bond Act "are special funds which are not to be disbursed to the school district under § 59-69-215 [the provision governing the county treasurer's disbursement of funds for school operating purposes]." Accordingly, we believe proceeds from the sale of school bonds pursuant to article 1 of chapter 71 of title 59 must be expended for the purposes for which the bonds were issued and be capital expenditures. **We do not believe these proceeds may be used for the school district's operating expenses**." (Emphasis added).

We observed several control issues related to capital budgets:

1. Expenditures were in excess of project site level budgets.
2. Bond budgets provided by the District did not "roll" between years, in that to-date expenditures in the previous year end did not always tie to current year beginning.
3. Project budgets used by construction managers contained different total budgets than in the bond budgets within the District's accounting system.
4. We did not observe full board approval for adjustments to project budgets, as required by District Procurement Code Section 3025.
5. Capital budgets approved annually by the Board did not differentiate between bond referendum funds, 8% funds, and other capital monies, and these did not tie to the aforementioned bond budgets and project budgets.

We recommend that the District implement more rigorous capital budgeting controls, and that the District be more granular in what is considered a budgeted "project," as a school site taken as a whole is not necessarily a "project." We recommend that the District provide a certain level of detail in bond ref (as these should not be overly broad), and to provide a list of "alternate" projects to voters during leadup to election, as this would allow the District some desired flexibility. Finally, we recommend that bond referendum funds and 8% bond funds not be comingled, and these should each have their own fund number.

Millage Calculations

We noted that the Debt Service Fund is accruing a large fund balance. The District has asserted that this is necessary due to an upcoming balloon payment, appears to be the case based on our review of Fiscal Year 2022 amortization schedules. We also noted that the District had provided their desired millage rate to the County Auditor. The District should only be providing their upcoming debt service payments, and the County Auditor is to calculate the required millage in the upcoming year, purely in a perfunctory manner. The millage rate should ONLY be set to cover the ensuing year's principal and interest.

Fund balance in the Debt Service Fund has shown a marked increase since Fiscal Year 2019:

Fiscal Year	Amount	% Increase
2019	$6,772,925	N/A
2020	$9,800,230	45%
2021	$15,030,658	53%
2022	$16,977,295	13%

This increase has been driven by an increase in millage rates assessed for capital purposes:

Lexington County:

Fiscal Year	Amount
2019	54.800
2020	75.400
2021	75.400
2022	69.500

Richland County:

Fiscal Year	Amount
2019	52.500
2020	75.400
2021	75.400
2022	69.500

Which has led to increases in revenue, except the most recent year, over that time period:

Fiscal Year	Amount	% Change
2019	$28,691,168	N/A
2020	$42,462,705	48%
2021	$45,045,500	6%
2022	$42,765,916	-5%

Based on a review of the debt roll-forward and related amortization schedules, we note that **the primary driver for this increase is the Series 2019B GOB issuance for $30,000,000 to construct Piney Woods Elementary School, which was paid over the course of these three years**, ending March 1, 2022. As this debt became paid, Series 2022 GOB were issued on May 12, 2022 for $46,485,000. The amortization schedule for this issuance contains an

early "balloon" payment of $23,685,000 on March 1, 2023, necessitating that the millage rate not be decreased from its previously elevated level.

There are $39,401,623 in Fiscal Year 2023 debt service payments per the audited financial statements. We estimate that $38.2 million in revenues will be collected through February 2023, prior to the March 2023 bond payments. Adding to this the $16,977,295 in Fund Balance as of June 30, 2022, we estimate Debt Service Fund Balance to be approximately $55.2 million, which would leave an excess of approximately $15.8 million remaining. There is also the issue of the need for a sinking fund.

Debt Sinking Fund

As described in our Management Letter Recommendations for the June 30, 2022 audit, the District does have a 2010A bond issue balloon payment to consider of approximately $10 million, due June 1, 2027.

The 2010A bond issue includes the following language: "For the payment of principal of and interest on the Bonds as they mature and **to create such sinking fund as may be necessary** therefor, the full faith, credit, resources, and taxing power of the School District will be irrevocably pledged, and there will be levied annually by the Auditor of the County and collected by the Treasurer of the County in the same manner as county taxes are levied and collected, a tax, without limit, on all taxable property in the School District **sufficient to pay the principal of and interest on the Bonds as they mature and to create such sinking fund as may be necessary therefor**." (Emphasis added).

The interest portion of the bond is subsidized by the federal government. The principal portion, had it been paid ratably each year, would have required annual payments of $588,235. Thus, on June 30, 2022, the amount of debt that would have been paid, or set aside in a sinking fund, would be $7,085,824.

However, per a recent SC Attorney General's opinion, of September 21, 2022, Opinion on the legal and official duties of the Lexington County Auditor with regard to school district bond millage rates. "A sinking fund should be in an amount sufficient to meet the bond indebtedness with interest that matures and is payable in the next ensuing year."

We recommend the District work with their bond counsel to determine if a 2010A sinking fund amount should be included in the millage calculation annually through 2027 or only in the 2027 calculation.

Internal controls are a set of procedures and processes that help ensure the accuracy and integrity of financial transactions and records. Tracking refers to the process of monitoring and maintaining records of financial transactions and activities. Accounting reconciliations ensure that the records of a particular account match with the corresponding records of an external source, such as a bank statement.

In the context of bond referendum funds for school district capital projects, internal controls, tracking, and accounting reconciliations play an important role in ensuring that the funds are being used properly and in accordance with the approved projects. This can include things like properly documenting transactions, reconciling bank statements, conducting regular audits, and maintaining accurate records of all expenditures. By implementing strong internal controls, tracking, and reconciliations, the School District can help to prevent fraud, waste, and mismanagement of the bond referendum funds and ensure that the funds are being used for their intended purpose.

Stream Mitigation Cost

While tracing significant 2008 bond expenditures, we noted $320,354 was paid to an egg company, ISE Newberry, Inc. The check was hand delivered which is unusual. To confirm the existence of the credit and accuracy of the amount for the 782 stream restoration credits, we contacted:

- SC Department of Health and Environmental Control
- SC Conservation Bank
- Davis Frawley Law Firm
- US Army Corps of Engineers Columbia Office
- Jim Lewis Mitigation Bank

Although we were passed along to various organizations who stated they were not involved with these credits, we were finally able to confirm the cost and recipients of these credits with Jim Lewis. The expenditure of bond funds for the purpose of preparing the capital asset/land for placing in service appears valid and accounted for properly.

In-House Personnel Costs

JAG noted abnormal charges over $1.4 million to the 2008 bond referendum funds named "In-House Personnel". We do not normally see District personnel costs charged to a bond. In essence, this *finances District operations* over the lives of the bonds and paying interest on those salaries. It has been determined that operational costs are not to be charged to bond funds (see guidance above). The District has both "regular" and "PARA/TA/Clerical" Salaries charged to these bond funds from FY09-17. There were no in-house salary charges from FY18-20.

The District also charged related retirement, health and dental benefits, social security, and workers compensation. With the exception of FY16, the general ledger amounts are simply monthly totals without detail. In FY16, there is a more detailed general ledger that shows, for example, Facilities Operations salary of $74,355 plus benefits charged to the bonds.

Bond counsel generally advises that charging operational staff costs to a GO Bond would be a very unusual circumstance and an abnormal provision, if even allowed. From a federal tax law perspective, there are limited amounts entities can use tax exempt bond proceeds on non-depreciable items. There are instances where entities have their own employees construct improvements, but even then, the District must be extremely careful to track these expenditures, so they are distinguishable between the work their position was created for in the first place and the project work. If they are in an operational position, it is generally not allowable.

We recommend the District work with their bond legal counsel to determine which personnel costs may be charged to any future bonds. Paying interest over the life of the bonds on salaries or other operational costs creates more costs to taxpayers; however, there may be instances where temporary employees dedicated 100% to the construction may be allowable.

Legal Expenses

JAG noted unusually high levels of legal fees charged to the 2008 bond referendum funds. It appears the majority of legal fees were charged in FY11 and FY12:

Account	Description	FY09	FY10	FY11	FY12	FY13	FY14	FY15	Grand Total
535-253-319-1000-15	LEGAL SERVICES	$ -	$ -	$ 995	$ -	$ 113	$ -	$ -	$ 1,107
535-253-319-1000-20	LEGAL SERVICES	-	-	445,055	413,153	5,219	3,798	2,220	869,444
535-253-319-1000-27	LEGAL SERVICES	-	-	-	-	1,876	484	630	2,990
535-253-319-1000-31	LEGAL SERVICES	-	-	30,670	831	-	-	-	31,501
535-253-319-1000-32	LEGAL SERVICES	-	-	1,456	-	1,884	-	-	3,340
535-253-319-1000-33	LEGAL SERVICES - CATE	-	-	19,675	151,355	7,239	422	36	178,726
535-253-319-1000-35	LEGAL SERVICES	-	-	378	-	-	-	-	378
535-253-319-1000-40	LEGAL SERVICES	-	-	-	-	602	-	206	808
535-253-319-1000-67	LEGAL SERVICES	-	-	3,927	-	1,674	65,489	389	71,479
535-253-319-1050-33	LEGAL SERVICES - NHS	-	-	-	-	14,087	1,328	69	15,484
536-253-319-1000-32	LEGAL SERVICES	-	-	-	-	-	-	390	390
Total		**$ -**	**$ -**	**$ 502,155**	**$ 565,339**	**$ 32,692**	**$ 71,521**	**$ 3,940**	**$ 1,175,647**

Many charges were for wetlands mitigation, which appears to be a valid capital expense for placing the asset/land into service; however, the descriptions were often not detailed enough to determine if they should have been charged as a capital expense to be financed over the life of the bonds or not. We did not test all legal invoices, but did note some inappropriate charges to the 2008 bond funds such as:

- Effect of Trustee Kim Murphy's election
- Request and Withdrawal of Ethics Opinion
- Calls with Trustees
- Attorney time without adequate descriptions to support being a capital expenditure to be charged to the bond and financed as debt over the life of the bonds

Again, it is clear that operational costs should not be charged to bonds (see guidance above). It is also questioned whether or not some of these expenditures should have been paid for with taxpayer funds at all, as they appear to be political issues between certain board members and Kim Murphy.

The District will need to implement stronger controls over where legal and personnel costs are charged to. Most would be charged to operational, or general, funds. Specific and complete documentation of anything charged to capital and bonds to be financed over many years must have an audit trail with review and approvals indicated clearly.

OTHER RECOMMENDATIONS

According to the Association of Certified Fraud Examiners (ACFE), government entities are among the most common victims of fraud. In its 2020 Report to the Nations, the ACFE found that the government/public administration sector was the second most common industry affected by fraud, after the banking and financial services sector. According to the Association of Certified Fraud Examiners (ACFE), fraud in the education sector, including school districts, is a growing concern. In its 2020 Report to the Nations, the ACFE found that the education sector is the fourth most common industry affected by fraud. The report also found that the median loss from fraud in the education sector was $125,000, which is significantly higher than the overall median loss of $114,000. Additionally, the report found that the median duration of fraud in the government/public administration sector was 24 months, which is longer than the overall median duration of 18 months.

The ACFE report also highlights several common red flags for fraud in school districts, including:

1. Unexplained increase in employee absenteeism or turnover
2. Unusual or suspicious behavior by an employee or vendor
3. Lack of internal controls or weak controls over financial transactions
4. Lack of segregation of duties
5. Lack of employee training or awareness on fraud detection and prevention

It is important for school districts to remain vigilant and proactive in their efforts to prevent and detect fraud. Regular internal audits, employee training, and a strong system of internal controls can help to mitigate the risk of fraud in school districts.

The role of the Board of Education in preventing and detecting fraud and non-compliance is to oversee the management and financial operations of the District, and to ensure that appropriate controls and procedures are in place to reduce the risk of fraud and non-compliance. Some strategies for preventing and detecting fraud and non-compliance include:

1. Developing and implementing clear **policies and procedures** for financial reporting, internal control, and ethical conduct.
2. Establishing an **internal audit function or hiring an external auditor to periodically review the District's financial and operational activities**.
3. Conducting regular **training** and education for employees on fraud detection and prevention, including the importance of reporting suspected fraud.
4. Encouraging a **culture of transparency and accountability** and promoting an open-door policy for employees to report concerns.
5. **Monitoring** and reviewing financial data and reports on a regular basis to identify any unusual transactions or trends.
6. Establishing a system for **tracking and investigating all allegations** of fraud or non-compliance.
7. Ensuring the **independence** and effectiveness of the audit committee and internal audit function.
8. Conducting periodic **risk assessments** to identify areas of vulnerability to fraud and non-compliance.
9. **Thoroughly following up on all allegations of fraud or non-compliance and performing independent investigations.**

The Board of Trustee's role in preventing and detecting fraud and non-compliance is critical for maintaining the public trust and the integrity of the District.

Tone at the Top

Tone at the Top refers to the ethical culture of an organization, including a school district, as set by its leaders, especially the top executives. The tone is conveyed through the words, actions, and decisions of these leaders, and can influence the behavior of employees and stakeholders. A positive tone at the top in a school district can create a culture of integrity, ethical behavior, and accountability, leading to a better educational environment for students and teachers.

The requirements for a positive Tone at the Top in a school district typically include:

1. Clear ethical standards and expectations: Leaders should establish a clear code of ethics and communicate it to all employees and stakeholders.
2. Lead by example: Leaders should demonstrate ethical behavior themselves and **hold others accountable for their actions**.
3. Foster open communication: Leaders should create a culture of open communication where employees **feel comfortable reporting** any unethical behavior.
4. Encourage continuous education: Leaders should provide regular training and development opportunities to help employees understand and uphold ethical standards.
5. Establish a system of checks and balances: Leaders should put systems in place to prevent and detect unethical behavior, such as **internal audits and anonymous reporting mechanisms**.
6. Foster a positive organizational culture: Leaders should encourage a positive organizational culture that supports ethical behavior and **rewards employees and Board members who question and uphold ethical standards**.
7. Regularly review and revise: Leaders should **regularly review** and revise their ethical standards and practices to ensure they are relevant and effective.

Ethics

Encouraging and maintaining high ethical standards in public education school districts can be achieved through several strategies, including:

1. Developing and implementing a code of ethics: Establish clear ethical guidelines and expectations for all stakeholders, including students, teachers, administrators, and board members.
2. Providing ethics training: Offer training and education to all employees and students on the importance of ethical behavior and how to **recognize and report** unethical behavior.
3. Encouraging open communication: Foster an environment in which employees and students feel comfortable raising ethical concerns and reporting suspected unethical behavior.
4. Holding individuals accountable: Ensure that those who engage in unethical behavior are **held accountable for their actions, including appropriate disciplinary action where necessary.**
5. Lead by example: Encourage leaders and decision-makers to model ethical behavior and hold themselves to high ethical standards.
6. Engaging in regular ethical assessments: Regularly assess the school district's ethical climate and take steps to address any identified issues.
7. Encouraging ethical behavior through incentives and recognition: Offer incentives and **recognition** to those who demonstrate ethical behavior and make contributions to maintaining a positive ethical climate.

By implementing these strategies, public education school districts can create an ethical culture that prioritizes integrity and accountability and helps to ensure that all stakeholders behave in an ethical manner.

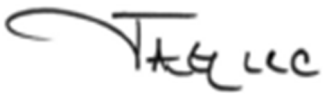
According to the Association of Certified Fraud Examiners (ACFE), the majority of fraud cases are discovered through tips from employees, customers, or other sources. In its 2020 Report to the Nations, the ACFE found that 44% of fraud cases were detected through tips, while only 14% of cases were detected through audits.
The report also found that the most common sources of tips were employees (34%) and customers (10%). Other sources of tips included anonymous sources (6%), management reviews (4%), and routine monitoring of financial transactions (2%).

The ACFE report highlights the importance of creating a culture of integrity and encouraging reporting of suspected fraud. This can be achieved through employee training, anonymous reporting mechanisms, and a clear message from management that fraud will not be tolerated.

In conclusion, it is important for the District to continue becoming and then remain proactive in their efforts to prevent and detect fraud and errors. This can be achieved through a combination of internal controls, audits, and a culture that encourages reporting of suspected fraud. By taking these steps, the District can help to identify and prevent fraud more quickly, reducing the impact on the District and its stakeholders.

We wish to thank the Board Trustees, Superintendent, Executive Administrative Assistant, CFO, and the District team members who assisted JAG with this complex testing spanning various areas over six fiscal years. These issues arose in years past and from our observations during our engagement, the current Superintendent and CFO are well on their way with ethical and professional corrective action.

This report is intended solely for the information and use of The Board of Trustees and management of the School District, its oversight or enforcement agencies, and their designees and is not intended to be and should not be used by anyone other than these specified parties.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
January 31, 2023

DISCLAIMER

We are not lawyers and are not a law enforcement agency or prosecuting officer. We do not have power to subpoena records or power to subpoena witnesses to testify under oath. We are private accounting firm conducting specified forensic consulting services based on information voluntarily provided by the subject of the engagement. Here, the subject of the consulting procedures has incomplete information due to inadequate controls, documentation, and transparency at the District. Because we have incomplete information, this letter is intended only to raise potential fraud, waste, and abuse, as well as potential non-compliance with laws, regulations, and contracts, as well as potential criminal violations in connection with the financial affairs of the District.

We cannot conclude on the guilt or innocence of any party. We cannot and do not purport to be in a position to establish beyond reasonable doubt whether such violations occurred. Importantly, these allegations of potential fraud, waste, or abuse and/or potential violations of criminal statute in connection with financial affairs cover many years and will require further investigation by the relevant offices and authorities, which may include referral to the "proper prosecuting officer." We do not draw legal conclusions here and, instead, raise the matters below for consideration and investigation by appropriate authorities. Exercising our auditor judgment and erring on the side of transparency and disclosure, we are identifying these risks to the District so that they can determine appropriate next steps.

EXHIBIT 1
"Yellow Flier"

district five
OF LEXINGTON & RICHLAND COUNTIES

Recommendations included in the Bond Referendum

A SUCCESSFUL REFERENDUM WILL DEMONSTRATE...

our community's continued support of quality teaching and learning by providing facilities that support our teachers and students. The projects outlined below will be funded.

Project	*Renovations*
Chapin Elementary Renovations* *Total cost = $8,869,737*	- Add walls and define classrooms, add kindergarten classrooms - Expand the cafeteria, renovate bathrooms, improve acoustics in cafeteria and gym, add one serving line to cafeteria - Improve student drop-off and pick-up traffic lines - Improve lighting outside of school, add fire sprinklers & fire-related exit corridors, allow for better handicap accessibility - Redesign Media Center and Guidance areas, renovate science classrooms and special education rooms
Chapin High Renovations* *Total cost = $44,964,614*	-Add square footage to the main level floor plan, which will include new classrooms, a new Media Center and a new gym with stage - Modernize classrooms, increase security, renovate the cafeteria, add science labs and resource rooms, improve parking and traffic flow - Bring student capacity up to 1,700
Dutch Fork High Renovations* *Total cost = $1,531,649*	- Renovate to incorporate new Career Clusters defined under the High School Redesign Program
Irmo Elementary Renovations *Total cost = $17,743,289*	- Improve areas for pre-kindergarten, kindergarten, first-grade and special needs areas, create adequate space for health room, office areas, guidance and conference rooms - Improve cafeteria to accommodate requirements desired by the State Office of School Facilities, update kitchen appliances and serving lines - Renovate student drop-off and pick-up lines to improve traffic flow, increase the number of parking spaces for visitors and staff - Improve security at main entrance, improve interior circulation patterns, add storage space
Irmo High Renovations* *Total cost = $3,654,680*	- Renovate to incorporate new Career Clusters defined under the High School Redesign Program - Make room for additional CATE programs such as carpentry and electricity, add more special needs classrooms
Leaphart Elementary Renovations* *Total cost = $13,172,063*	- Eliminate pod classrooms to create classrooms with walls - Close off Media Center to eliminate noise and security issues - Bring all classrooms up to requirements of the State Office of School Facilities, create appropriate space for Resource classrooms, foreign language labs and textbook storage - Improve student drop-off and pick-up traffic lines and improve parking
Seven Oaks Elem. Renovations *Total cost = $11,928,288*	- Improve circulation and security from the main office into the school, clearly identify the main entrance of the school - Add sufficient space for health room, psychologist, computer labs, science classes, math classes, fine arts, conference room and office space - Improve Media Center and cafeteria, update kitchen equipment, enlarge Multi-Purpose Room - Add parking and improve the flow of parent drop-off and pick-up
Build a New Elementary School *Total cost = $27,642,851*	- Relieve over-crowded conditions at Chapin Elementary, Lake Murray Elementary & Ballentine Elementary - Mini-theatre and mini-gym, Special Needs area, Pre-Kindergarten classes, parking for 212 - Build for 750 students, capacity for 900 students
Build a New High School & Career/Tech Ed Center *Total cost = $78,918,963*	- Relieve current over-crowding at Chapin, Dutch Fork & Irmo High Schools - Create Career and Tech Center for courses such as Auto Technology, Auto Collision, Culinary Arts, HVAC, Journalism and Welding - Build for 1,700 students, capacity for 2,000 students
Build a New Middle School *Total cost = $35,238,558*	- Build for 1,000 students, capacity for 1,200 students

** The school board voted to fund these projects using a combination of bond referendum money and $8.8 million in 8 percent bond money.*

These projects total $243.6 million. The board has approved a 20 year payback schedule that will require a millage rate of 52.5 mills. This is a 3.5 mill increase, which amounts to an increase of $14 per year on a $100,000 home.

EXHIBIT 1 (Continued)
"Yellow Flier"

district five
OF LEXINGTON & RICHLAND COUNTIES

What happens if the referendum doesn't pass?

A FAILED REFERENDUM WILL MEAN...

it has been 12 years since the last successful referendum in School District Five. For that reason, programs have suffered and 2,500 students are now housed in portable classrooms or inadequate learning environments. Recruiting and retaining the best teachers is becoming more and more difficult. A failed referendum will mean that the school district must consider other alternatives to new and renovated facilities. Those options being considered are:

- **YEAR ROUND HIGH SCHOOLS** - To handle the continued growth in our high schools, Irmo High, Dutch Fork High and Chapin High would all become "Year Round Schools" using the quarter system. This would mean one-fourth of the student population would not be attending school at any given time during the year. Some would have three months off during the summer, some during the winter, some during the fall and some during the spring. The traditional "summer break" could happen during any time of the year. This would drop enrollment down to approximately 1,600 at Irmo High and Dutch Fork High and about 1,100 at Chapin High.

- **YEAR ROUND ELEMENTARY SCHOOLS** - Lake Murray Elementary, Ballentine Elementary and Chapin Elementary are all over capacity and are expected to continue to have increased enrollment. All three of those schools would become "Year Round Schools "on the quarter system and it would be implemented just a described above in the high schools.

- **CLOSE IRMO AREA ELEMENTARY SCHOOL** - Enrollment in the elementary schools in the Irmo attendance area is expected to remain stable with little or no growth for the next few years. Currently, the students in those five schools could be housed in four schools, making it possible to close one of them. The closed school could be used to house the Alternative Academy for Success, the Instructional Services Department and the Maintenance and Operations Department, all of which are currently located in outdated and overcrowded buildings and portables.

None of these options are ideal. However, the district will no longer be able to "band-aid" current overcrowded conditions by buying portable classrooms and holding classes in unconventional classroom spaces.

For more information, please visit www.lex5.k12.sc.us/referendum

District 5 of Lexington and Richland Counties
2008 Bond Referendun Long-Term Debt Rollforward
July 1, 2009 - June 30, 2021
EXHIBIT 2

Long Term Obligations - 2008 Bond Referendum	Date of Issue	Date of Maturity	Beginning Balance	Issuances	Principal Payments / Amortization	Refunding	Ending Balance
FY10							
Series 2009B - Issued July 21, 2009	7/21/2009		-	40,000,000	-	-	40,000,000
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	-	10,000,000	-	-	10,000,000
Total 2008 Bond Referendum Debt			$ -	$ 50,000,000	$ -	$ -	$ 50,000,000
FY11							
Series 2009B - Issued July 21, 2009	7/21/2009		40,000,000		(25,000)		39,975,000
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000	-	-	-	10,000,000
Series 2010B-1 and B-2 - Issued September 16, 2010	9/16/2010		-	77,500,000	(100,000)	-	77,400,000
Total 2008 Bond Referendum Debt			$ 50,000,000	$ 77,500,000	$ (125,000)	$ -	$ 127,375,000
FY12							
Series 2009B - Issued July 21, 2009	7/21/2009		39,975,000	-	(25,000)	-	39,950,000
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000	-	-	-	10,000,000
Series 2010B-1 and B-2 - Issued September 16, 2010	9/16/2010		77,400,000	-	(100,000)	-	77,300,000
Total 2008 Bond Referendum Debt			$ 127,375,000	$ -	$ (125,000)	$ -	$ 127,250,000
FY13							
Series 2009B - Issued July 21, 2009	7/21/2009		39,950,000	-	(100,000)	-	39,850,000
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000	-	-	-	10,000,000
Series 2010B-1 and B-2 - Issued September 16, 2010	9/16/2010		77,300,000	-	(2,125,000)	-	75,175,000
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	-	115,655,000	-	-	115,655,000
Total 2008 Bond Referendum Debt			$ 127,250,000	$ 115,655,000	$ (2,225,000)	$ -	$ 240,680,000

District 5 of Lexington and Richland Counties
2008 Bond Referendun Long-Term Debt Rollforward
July 1, 2009 - June 30, 2021
EXHIBIT 2 (CONTINUED)

Long Term Obligations - 2008 Bond Referendum	Date of Issue	Date of Maturity	Beginning Balance	Issuances	Principal Payments / Amortization	Refunding	Ending Balance
FY14							
Series 2009B - Issued July 21, 2009	7/21/2009		39,850,000	-	-	(39,850,000)	-
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000	-	-	-	10,000,000
Series 2010B-1 and B-2 - Issued September 16, 2010	9/16/2010		75,175,000	-	(1,610,000)	-	73,565,000
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	115,655,000	-	(3,415,000)	-	112,240,000
Series 2013A - Issued November 19, 2013 - Refunding	8/30/2013	3/1/2028	-	40,444,000	(1,891,000)	-	38,553,000
Series 2013 - Issued August 28, 2013 - Short-term	8/28/2013		-	12,000,000	(12,000,000)	-	-
Total 2008 Bond Referendum Debt			$ 240,680,000	$ 40,444,000	$ (6,916,000)	$ (39,850,000)	$ 234,358,000
FY15							
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000	-	-	-	10,000,000
Series 2010B-1 and B-2 - Issued September 16, 2010	9/16/2010		73,565,000	-	(2,210,000)	-	71,355,000
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	112,240,000	-	(3,555,000)	-	108,685,000
Series 2013A - Issued November 19, 2013 - Refunding	8/30/2013	3/1/2028	38,553,000	-	(1,819,000)	-	36,734,000
Total 2008 Bond Referendum Debt			$ 234,358,000	$ -	$ (7,584,000)	$ -	$ 226,774,000
FY16							
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000	-	-	-	10,000,000
Series 2010B-1 and B-2 - Issued September 16, 2010	9/16/2010		71,355,000	-	(2,855,000)	(68,500,000)	-
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	108,685,000	-	(3,395,000)	-	105,290,000
Series 2013A - Issued November 19, 2013 - Refunding	8/30/2013	3/1/2028	36,734,000	-	(1,943,000)	-	34,791,000
Series 2015B - Issued November 9, 2015 - Refunding	11/2/2015	3/1/2029	-	62,025,000	-	-	62,025,000
Total 2008 Bond Referendum Debt			$ 226,774,000	$ 62,025,000	$ (8,193,000)	$ (68,500,000)	$ 212,106,000

District 5 of Lexington and Richland Counties
2008 Bond Referendun Long-Term Debt Rollforward
July 1, 2009 - June 30, 2021
EXHIBIT 2 (CONTINUED)

Long Term Obligations - 2008 Bond Referendum	Date of Issue	Date of Maturity	Beginning Balance	Issuances	Principal Payments / Amortization	Refunding	Ending Balance
FY17							
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000		-		10,000,000
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	105,290,000		(5,135,000)	-	100,155,000
Series 2013A - Issued November 19, 2013 - Refunding	8/30/2013	3/1/2028	34,791,000		(2,067,000)		32,724,000
Series 2015B - Issued November 9, 2015 - Refunding	11/2/2015	3/1/2029	62,025,000		(1,805,000)		60,220,000
Total 2008 Bond Referendum Debt			$ 212,106,000	$ -	$ (9,007,000)	$ -	$ 203,099,000
FY18							
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000		-		10,000,000
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	100,155,000		(5,395,000)	-	94,760,000
Series 2013A - Issued November 19, 2013 - Refunding	8/30/2013	3/1/2028	32,724,000		(2,203,000)		30,521,000
Series 2015B - Issued November 9, 2015 - Refunding	11/2/2015	3/1/2029	60,220,000		(2,270,000)		57,950,000
Total 2008 Bond Referendum Debt			$ 203,099,000	$ -	$ (9,868,000)	$ -	$ 193,231,000
FY19							
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000		-		10,000,000
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	94,760,000		(5,675,000)	-	89,085,000
Series 2013A - Issued November 19, 2013 - Refunding	8/30/2013	3/1/2028	30,521,000		(2,340,000)		28,181,000
Series 2015B - Issued November 9, 2015 - Refunding	11/2/2015	3/1/2029	57,950,000		(2,765,000)		55,185,000
Total 2008 Bond Referendum Debt			$ 193,231,000	$ -	$ (10,780,000)	$ -	$ 182,451,000

District 5 of Lexington and Richland Counties
2008 Bond Referendun Long-Term Debt Rollforward
July 1, 2009 - June 30, 2021
EXHIBIT 2 (CONTINUED)

Long Term Obligations - 2008 Bond Referendum	Date of Issue	Date of Maturity	Beginning Balance	Issuances	Principal Payments / Amortization	Refunding	Ending Balance
FY20							
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000		-		10,000,000
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	89,085,000		(5,965,000)	-	83,120,000
Series 2013A - Issued November 19, 2013 - Refunding	8/30/2013	3/1/2028	28,181,000		(2,483,000)		25,698,000
Series 2015B - Issued November 9, 2015 - Refunding	11/2/2015	3/1/2029	55,185,000		(3,295,000)		51,890,000
Total 2008 Bond Referendum Debt			$ 182,451,000	$ -	$ (11,743,000)	$ -	$ 170,708,000
FY21							
Series 2010A - Issued June 9, 2010	6/9/2010	6/1/2027	10,000,000		-		10,000,000
Series 2012B - Issued August 21, 2012	9/11/2012	3/1/2032	83,120,000		(6,265,000)	-	76,855,000
Series 2013A - Issued November 19, 2013 - Refunding	8/30/2013	3/1/2028	25,698,000		(2,632,000)		23,066,000
Series 2015B - Issued November 9, 2015 - Refunding	11/2/2015	3/1/2029	51,890,000		(3,860,000)		48,030,000
Total 2008 Bond Referendum Debt			$ 170,708,000	$ -	$ (12,757,000)	$ -	$ 157,951,000

District 5 of Lexington and Richland Counties

2008 Bond Referendun Expenditures Per General Ledger, by Fiscal Year

July 1, 2009 - June 30, 2018

EXHIBIT 3

ACCOUNT / PROJECT	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	Total
CHAPIN ELEMENTARY SCHOOL	$ 1,325,274	$ 4,960,149	$ 1,042,827	$ 1,676,021	$ 31,459	$ -	$ -	$ -	$ -	$ -	**$ 9,035,730**
CHAPIN HIGH SCHOOL	1,763,306	1,153,269	638,188	7,332,702	22,142,547	18,766,190	4,437,228	1,952,905	1,400,586	-	**59,586,921**
DUTCH FORK HIGH	-	9,820	20,478	465,857	5,531,163	9,951,587	935,334	270,956	24,775	-	**17,209,969**
NEW ELEMENTARY SCHOOL	233,299	167,038	222,803	831	-	-	-	-	-	-	**623,971**
NEW MIDDLE SCHOOL (CHAPIN MS)	-	9,887	1,456	-	262,509	3,737,571	14,539,684	6,118,950	(8,087)	271,785	**24,933,756**
NEW HIGH SCHOOL (SHHS) / CATE	149,819	715,804	2,288,223	27,078,506	39,939,426	7,402,081	280,165	27,660	-	-	**77,881,684**
IRMO ELEMENTARY	3,607	810,337	7,461,372	8,270,062	922,524	-	105,733	-	-	-	**17,573,636**
IRMO HIGH SCHOOL	-	57,833	174,848	526,207	9,731,518	12,243,425	5,184,716	445,695	(184,860)	-	**28,179,382**
LEAPHART ELEMENTARY	1,079,002	5,759,195	4,445,700	798,445	82,227	3,236	8,500	29,860	-	-	**12,206,164**
SEVEN OAKS ELEMENTARY	1,418	1,397,613	7,551,378	1,822,126	508,619	-	-	-	-	-	**11,281,154**
NEW DESIGN & CONSTRUCTION	125,164	-	5,137,386	1,721,776	1,733,127	1,757,568	1,105,666	170,776	54,842	-	**11,806,306**
DISTRICT WIDE	-	-	1,127,901	-	280,778	4,256	-	-	-	20,157	**1,433,092**
TOTALS	$ 4,680,888	$ 15,040,945	$ 30,112,561	$ 49,692,532	$ 81,165,896	$ 53,865,915	$ 26,597,026	$ 9,016,802	$ 1,287,257	$ 291,942	**$ 271,751,764**

district five
OF LEXINGTON & RICHLAND COUNTIES

Chapin ES – Original Scope

- New kindergarten addition
- Enclose classrooms & limited interior renovation
- Addition of 1 serving line in cafeteria
- Sound panels in cafeteria & gymnasium
- Code compliance upgrades
- Duct system changes to accommodate classroom walls
- Improve student drop-off and pick-up traffic lanes
- Improve site lighting

district five
OF LEXINGTON & RICHLAND COUNTIES

Chapin ES – Added Work Performed

- Admin. Area renovation including secure entrance
- Complete kitchen renovation from below slab to ceiling
- Creation of developmentally delayed instructional area
- Glass wall system install to fully enclose media center
- Total HVAC replacement
- Completely repaint the entire building & roof mansard
- Completely installed new ceilings and lighting
- Replace the majority of the flooring
- New storefront entrances
- New theatrical lighting

district five
OF LEXINGTON & RICHLAND COUNTIES

Chapin ES – Added Work Performed

- New plumbing
- New security system
- New PA system
- Modernize technology infrastructure
- New fire sprinkler for the entire building
- New playgrounds with rubberized fall surfaces
- Reroof existing building (capital)

district five
OF LEXINGTON & RICHLAND COUNTIES

Leaphart ES – Original Scope

- New kindergarten wing
- Enclose classrooms
- Improve student drop-off & pick-up lanes
- Improve parking

district five
OF LEXINGTON & RICHLAND COUNTIES

Leaphart ES – Added Work Performed

- Admin. area renovation including secure entrance
- New front entrance canopy
- New loop road & repave entire campus
- Total HVAC replacement
- Completely repaint the entire building & roof mansard
- New ceilings & lighting
- Upgrade gym ceiling system
- Replace the majority of the flooring
- New storefront entrances
- New plumbing

district five
OF LEXINGTON & RICHLAND COUNTIES

Leaphart ES – Added Work Performed

- New security system
- New public address (PA) & clock system
- Modernize technology infrastructure
- Install new fire sprinkler for the entire building
- Install new playgrounds with rubberized fall surfaces
- Reroof existing building
- Complete kitchen renovation from below slab to above ceiling (capital)
- New exterior signage (capital)

district five
OF LEXINGTON & RICHLAND COUNTIES

Seven Oaks ES – Original Scope

- New kindergarten addition & expand admin. Area
- Improve circulation & security from main office into school
- Clearly identify main entrance of the school
- Renovate cafeteria & media center
- Update kitchen equipment & expand multi-purpose rm.
- Add parking & improve flow of parent drop-off & pick-up

district five
OF LEXINGTON & RICHLAND COUNTIES

Seven Oaks ES – Added Work Performed

- Demolish wall and enlarge cafeteria
- Completely repaint the entire building
- New ceilings & lighting
- New gymnasium flooring
- New classroom casework
- Replace the majority of the flooring
- New plumbing
- New security system
- New public address (PA) & clock system
- Modernize technology infrastructure

district five
OF LEXINGTON & RICHLAND COUNTIES

Seven Oaks ES – Added Work Performed

- Install new fire sprinkler for the entire building
- Install new playgrounds with rubberized fall surfaces
- New site lighting
- Completely repave campus
- Reroof existing buildings (50% capital, 50% bond)
- Complete kitchen renovation from below slab to above ceiling (capital)
- New exterior signage (capital)

district five
OF LEXINGTON & RICHLAND COUNTIES

Irmo ES – Original Scope

- New 38,000 square foot classroom addition
- Expand cafeteria, gymnasium and media center
- Interior renovations in classrooms
- Renovate student drop-off and pick-up lines to improve traffic flow and add parking
- Improve interior circulation patterns and security

district five
OF LEXINGTON & RICHLAND COUNTIES

Irmo ES – Added Work Performed

- Construct approximately 70,000 square foot new addition & renovated 30,000 square feet of existing
- New cafeteria
- New kitchen
- New media center
- Existing 80's two story classroom wing demolished & new classrooms constructed to replace existing building
- Completely repaint the entire building
- New ceilings & lighting
- Replace the majority of flooring

district five
OF LEXINGTON & RICHLAND COUNTIES

Irmo ES – Added Work Performed

- Maintain historical integrity by preserving hardwood floors
- New plumbing
- New security system
- New public address (PA) & clock system
- Modernize technology infrastructure
- Install new fire sprinkler for the entire building
- Install new playgrounds with rubberized fall surfaces
- Exterior signage (capital)

Spring Hill HS/ The Center – Original Scope

- Create a 55,000 square foot career & technical center for courses such as auto technology, auto collision, culinary arts, HVAC, journalism & welding
- New 275,000 square foot school with a 2,000 core capacity and 1,700 student opening day capacity

district five
OF LEXINGTON & RICHLAND COUNTIES

Spring Hill HS/ The Center – Added Work Performed

- Construct 267,000 square foot spring hill high school
- Make provisions for a portion of SHHS to be utilized as alternative academy
- Technology upgrades to insure HS is state of the art
- Included 600 seat auditorium at SHHS
- Construct 115,000 square foot career & technical ctr.
- Technology upgrades ensure center is state of the art
- Modifiy administration area to better serve needs of the staff based on Dr. Couch's vision
- Create career & technical center that people from around the country desire to visit

district five
OF LEXINGTON & RICHLAND COUNTIES

Chapin HS – Original Scope

- New 70,000 square foot addition to include classrooms, science labs, resource rooms and support space
- Bring capacity to 1,700 students
- Add new 40,000 square foot gymnasium with stage
- Classroom renovations
- Security upgrades
- Expand cafeteria & media center
- Improve parking & traffic flow
- Site upgrades
- Athletic upgrades including new practice fields & end zone athletic facilities

district five
OF LEXINGTON & RICHLAND COUNTIES

Chapin HS – Added Work Performed

- Total new square footage: 180,000 square feet +
- Media center upgrade
- Technology upgrades to ensure HS is state of the art
- Construct new field house
- Administration renovation
- Strings addition
- Connecting corridor additions
- Fine arts addition
- New softball field including dugouts and bleachers
- New tennis courts

district five
OF LEXINGTON & RICHLAND COUNTIES

Chapin HS – Added Work Performed

- New track
- New security system
- New public address (PA) & clock system
- Modernize technology infrastructure
- New fire sprinkler for the entire building
- New ceilings & lighting
- Repave entire campus
- Install synthetic turf on football field (capital)

district five
OF LEXINGTON & RICHLAND COUNTIES

Irmo HS – Original Scope

- Renovate to incorporate new career clusters defined under HS re-design program
- Make room for additional CATE programs including carpentry & electricity
- Add additional special needs classroom space

district five
OF LEXINGTON & RICHLAND COUNTIES

Irmo HS – Added Work Performed

- Interior renovations allowing removal of all portable classrooms
- New football and baseball field lighting
- Extensive stadium renovations
- New field house
- Renovate existing visitor's locker room
- New 600 seat auditorium
- New parking lot in rear of school
- New canopies at drop-off locations
- New drives and parking in front of school

district five
OF LEXINGTON & RICHLAND COUNTIES

Irmo HS – Added Work Performed

- New security system
- New PA system
- Modernize technology infrastructure
- Install new fire sprinkler for the entire building
- New ceilings & lighting systems
- Install synthetic turf on football field (capital)
- Replace track (capital)
- Add 1,500 additional bleachers seats (capital)

district five
OF LEXINGTON & RICHLAND COUNTIES

Dutch Fork HS – Original Scope

- Renovate to incorporate new career clusters defined under the HS re-design program

district five
OF LEXINGTON & RICHLAND COUNTIES

Dutch Fork HS – Added Work Performed

- Add 1,500 seats to visitor's bleachers at stadium
- New softball & baseball pressboxes
- New bleachers at softball & baseball fields
- New health science building
- New visitor's concession & restroom facility
- Interior renovations
- Middle & high connector road for improved traffic flow
- New front parking lot
- Bus drop off at visitor's side of stadium
- New canopies at drop-off areas

district five
OF LEXINGTON & RICHLAND COUNTIES

Dutch Fork HS – Added Work Performed

- Add 1,500 seats to visitor's side of stadium (capital)
- Install synthetic turf on stadium field (capital)
- New stadium, baseball and softball field lighting (capital)

EXHIBIT 5

EXHIBIT A

PRICING FOR KELLY EDUCATIONAL SERVICES

This Pricing Exhibit A is incorporated and made part of the Agreement for Educational Services between Kelly Services, Inc. and District Five of Lexington & Richland Counties, dated January 27, 2015. The pricing in Exhibit A is confidential and proprietary to Kelly. Customer agrees not to disclose the contents of Pricing Exhibit A to persons or entities not party to this agreement without Kelly's written permission.

1. **Types of Assignments; Pricing.** The Assigned Employees will be assigned to the following positions and at the following rates:

Job Title – Day to Day Substitutes	Daily or Hourly Pay Rate	Markup	Daily or Hourly Bill Rate
Substitute Teacher – High School Diploma/Associate's Degree	$60.00/day	1.40	$84.00/day
Substitute Teacher – Four Year College Degree	$65.00/day	1.40	$91.00/day
Substitute Teacher – Certified	$75.00/day	1.40	$105.00/day
Substitute Instructional Assistant	$7.25/hour	1.40	$10.15/hour

Job Title – Long Term Substitutes (more than 10 consecutive days in the same position for the same person)	Daily or Hourly Pay Rate	Markup	Daily or Hourly Bill Rate
Substitute Teacher – High School Diploma/Associate's Degree	$70.00/day	1.40	$98.00/day
Substitute Teacher – Four Year College Degree	$70.00/day	1.40	$98.00/day
Substitute Instructional Assistant	$12.98/hour	1.40	$18.17/hour

2. **Pricing for Hiring a Kelly Temporary Employee**

If Customer hires an Assigned Employee before the Assigned Employee works 90 substitute days, Customer agrees to pay a placement fee upon hiring the Kelly Educational Staffing temporary employee to work in full- or part-time position of employment with the Customer. The placement fee is based on days worked. The fee schedule is set forth below.

1 – 60 days worked	10% of annualized salary*
61 – 90 days worked	5% of annualized salary
90+ days worked	Fee Waived

*Annualized salary based on the daily bill rate would be calculated as follows:

Total school days in a school year multiplied by the daily bill rate = annualized salary

The annualized salary calculation using hourly rates is calculated as follows:

© 2012 Kelly Services, Inc.

Total school days in a year multiplied by the hourly bill rate multiplied by the number of hours per work day = annualized salary

3. Pricing for Hiring a Direct Hire Candidate

If the Customer hires a candidate referred to it by Kelly Educational Staffing for direct hire by Customer, the Customer agrees to pay a direct placement fee of 10% of the candidate's annualized salary.

KELLY SERVICES, INC.

By: _____

Name: Nicola Soares

Title: Vice President Kelly Educational Staffing

Date: 2-4-15

District Five of Lexington & Richland Counties

By: _____

Name: A. Lee Richardson

Title: CFO

Date: 1/28/2015

© 2012 Kelly Services, Inc.

KELLY educational staffing

EXHIBIT A
PRICING FOR KELLY EDUCATIONAL STAFFING

This Pricing Exhibit A is incorporated and made part of the Agreement for Educational Services between Kelly Services, Inc. and School District Five of Lexington & Richland Counties, dated July 1, 2018. The pricing in Exhibit A is confidential and proprietary to Kelly. Customer agrees not to disclose the contents of Pricing Exhibit A to persons or entities not party to this agreement without Kelly's written permission.

1. **Types of Assignments; Pricing**
The Assigned Employees will be assigned to the following positions and at the following rates:

Job Title	Daily or Hourly Pay Rate	Markup	Daily or Hourly Bill Rate
Tenured Daily Substitute Teacher with HS Diploma	$60.00/Day	1.27	$76.20/Day
Tenured Daily Substitute Teacher with 4 Year Degree	$65.00/Day	1.27	$82.55/Day
Tenured Daily Substitute Teacher with Certification	$75.00/Day	1.27	$95.25/Day
Tenured Substitute Instructional Assistant	$7.25/Hour	1.27	$9.21/Hour
Tenured Food Service Worker	$9.75/Hour	1.27	$12.38/Hour
Tenured Custodial Worker	$9.75/Hour	1.27	$12.38/Hour
Recruited Daily Substitute Teacher with HS Diploma	$60.00/Day	1.29	$77.40/Day
Recruited Daily Substitute Teacher with 4 Year Degree	$65.00/Day	1.29	$83.85/Day
Recruited Daily Substitute Teacher with Certification	$75.00/Day	1.29	$96.75/Day
Recruited Substitute Instructional Assistant	$7.25/Hour	1.29	$9.35/Hour
Recruited Food Service Worker	$9.75/Hour	1.29	$12.58/Hour
Recruited Custodial Worker	$9.75/Hour	1.29	$12.58/Hour

**Tenured Substitutes were hired/employed by Kelly Educational Staffing before July 1, 2018.*

2. **Pricing for Hiring a Kelly Temporary Employee**
If Customer hires an Assigned Employee before the Assigned Employee works 90 substitute days, Customer agrees to pay a placement fee upon hiring the Kelly Educational Staffing temporary employee to work in full- or part-time position of employment with the Customer. The placement fee is based on days worked. The fee schedule is set forth below.

1 – 60 days worked	10% of annualized salary*
61 – 90 days worked	5% of annualized salary
90+ days worked	Fee Waived

*Annualized salary based on the daily bill rate would be calculated as follows:
Total school days in a school year multiplied by the daily bill rate = annualized salary
The annualized salary calculation using hourly rates is calculated as follows:
Total school days in a year multiplied by the hourly bill rate multiplied by the number of hours per work day = annualized salary

3. **Pricing for Hiring a Direct Hire Candidate**
If the Customer hires a candidate referred to it by Kelly Educational Staffing for direct hire by Customer, the Customer agrees to pay a direct placement fee of 10% of the candidate's annualized salary.

KELLY SERVICES, INC.

By: _____

Name: Nicola Soares

Title: Vice President & Managing Director Kelly Educational Staffing

Date: 6-19-2018

School District Five of Lexington & Richland Counties

By: _____

Name: A. Len Richardson

Title: CFO

Date: 6/15/2018

© 2015 Kelly Services, Inc.

KELLY | educational staffing

EXHIBIT A
PRICING FOR KELLY EDUCATIONAL STAFFING

This Pricing Exhibit A is incorporated and made part of the Agreement for Educational Services between Kelly Services, Inc. and School District Five of Lexington & Richland Counties, dated May 14, 2019. The pricing in Exhibit A is confidential and proprietary to Kelly. Customer agrees not to disclose the contents of Pricing Exhibit A to persons or entities not party to this agreement without Kelly's written permission.

1. **Types of Assignments; Pricing**
The Assigned Employees will be assigned to the following positions and at the following rates:

Job Title	Daily or Hourly Pay Rate	Markup	Daily or Hourly Bill Rate
Tenured Daily Substitute Teacher with HS Diploma	$60.00/Day	1.27	$76.20/Day
Tenured Daily Substitute Teacher with 4 Year Degree	$65.00/Day	1.27	$82.55/Day
Tenured Daily Substitute Teacher with Certification	$75.00/Day	1.27	$95.25/Day
Tenured Substitute Instructional Assistant	$7.25/Hour	1.27	$9.21/Hour
Tenured Food Service Worker	$9.75/Hour	1.27	$12.38/Hour
Tenured Custodial Worker	$9.75/Hour	1.27	$12.38/Hour
Recruited Daily Substitute Teacher with HS Diploma	$60.00/Day	1.29	$77.40/Day
Recruited Daily Substitute Teacher with 4 Year Degree	$65.00/Day	1.29	$83.85/Day
Recruited Daily Substitute Teacher with Certification	$75.00/Day	1.29	$96.75/Day
Recruited Substitute Instructional Assistant	$7.25/Hour	1.29	$9.35/Hour
Recruited Food Service Worker	$9.75/Hour	1.29	$12.58/Hour
Recruited Custodial Worker	$9.75/Hour	1.29	$12.58/Hour
Added IT Temporary Worker	$12.00/Hour	1.29	$15.48/Hour

**Tenured Substitutes were hired/employed by Kelly Educational Staffing before July 1, 2018.*

2. **Pricing for Hiring a Kelly Temporary Employee**
If Customer hires an Assigned Employee before the Assigned Employee works 90 substitute days, Customer agrees to pay a placement fee upon hiring the Kelly Educational Staffing temporary employee to work in full- or part-time position of employment with the Customer. The placement fee is based on days worked. The fee schedule is set forth below.

1 – 60 days worked	10% of annualized salary*
61 – 90 days worked	5% of annualized salary
90+ days worked	Fee Waived

*Annualized salary based on the daily bill rate would be calculated as follows:
Total school days in a school year multiplied by the daily bill rate = annualized salary
The annualized salary calculation using hourly rates is calculated as follows:
Total school days in a year multiplied by the hourly bill rate multiplied by the number of hours per work day = annualized salary

3. **Pricing for Hiring a Direct Hire Candidate**
If the Customer hires a candidate referred to it by Kelly Educational Staffing for direct hire by Customer, the Customer agrees to pay a direct placement fee of 10% of the candidate's annualized salary.

KELLY SERVICES, INC.

By: _____

Name: Nicola Soares

Title: Vice President & Managing Director Kelly Educational Staffing

Date: 5-16-2019

School District Five of Lexington & Richland Counties

By: _____

Name: A. Len Richardson

Title: Chief Finance Operations Officer

Date: 5/14/2019

© 2015 Kelly Services, Inc.