

INVESTIGATIVE MANAGEMENT GROUP
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S U M M A R Y

TO: Greg Guercio Esq.
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FROM: Investigative Management Group

DATE: May 11, 2026

RE: *South Country Central School District*

Investigative Management Group ("IMG") was engaged by the South Country Central School District ("SCCSD" or "the District") to conduct a comprehensive fact-finding analysis into significant budget overruns incurred during fiscal year 2024–2025. The investigation included (i) forensic accounting analysis of Treasurer's Reports and other monthly financial documents, (ii) interviews with key personnel across Finance, Special Education, Administration, and the Superintendent's Office, and (iii) a digital forensic examination of District email and cloud-based documents.

The investigation revealed that the District exceeded its legally authorized budget, resulting in the depletion of the General Fund, an unassigned fund balance deficit of approximately \$1.78 million, and a year-over-year deterioration of \$6.56 million. Further, 21 major accounts exceeded their statutory limits, producing negative balances totaling more than \$5.4 million.

IMG's review found no evidence of embezzlement, kickbacks, or intentional misappropriation of funds. Instead, the overruns resulted from systemic failures in budgeting, forecasting, internal controls, and administrative oversight. Key contributing factors included:

- Inadequate budgeting practices, including optimistic assumptions regarding a \$5 million fund balance despite contrary internal recommendations.
- Lack of timely communication from the Finance Office to the Superintendent and the Board concerning emerging deficits.
- Siloed departmental decision-making, especially in Special Education and Human Resources, resulting in duplicative and inefficient expenditures.
- Failure to follow established procurement, contracting, and approval protocols, including service expansions and student placements conducted outside the business office workflow.
- Repeated noncompliance with State reporting requirements (NYSED), impairing transparency and exposing the District to regulatory risk.

- Overreliance on year-end budget transfers to mask ongoing negative balances, rather than implementing corrective measures when issues first appeared.

The digital forensic review identified numerous documents and email communications demonstrating that key financial personnel were aware — or reasonably should have been aware of projected deficits throughout the year but failed to escalate concerns appropriately. These included cash-flow projections reflecting multimillion-dollar shortfalls, Budget Status Reports showing early negative balances, and communications concerning the presentation of cash-flow for TAN (Tax Anticipation Note) financing.

The District's new Acting Assistant Superintendent for Finance has begun implementing meaningful reforms to strengthen internal controls, increase transparency, and restore compliance. However, a multi-year recovery effort will be required to stabilize SCCSD's fiscal operations, rebuild fund balance levels, and restore stakeholder confidence.
