



PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | June St. Clair Atkinson, Ed.D., *State Superintendent*

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June 1, 2016

Mr. Patrick Rooney, Acting Director
U.S. Department of Education
Office of State Support
400 Maryland Avenue, SW
Washington, DC 20202

Dear Mr. Rooney:

This letter is written in response to your letter regarding Halifax County Schools. The North Carolina Department of Public Instruction (NCDPI) has completed an investigation of allegations received from the Office of State Support within the U.S. Department of Education. The complaint provided by Charles Hedgepeth contained numerous allegations related to Halifax County Schools. NCDPI reviewed documentation supporting the items noted in the allegations and used this information as the basis for our responses. NCDPI and Halifax County Schools have maintained volumes of documentation to support these responses, which is available for review if requested.

The first allegation asserts that the Superintendent of Halifax County Schools does not have a valid legal contract. NCDPI verified that Halifax County Schools does have a valid legal contract with Superintendent Dr. Eleese Frederick. This contract is scheduled to end June 30, 2016.

The second allegation stated "The Assistant Superintendent for Operations and Personnel, Linda Bulluck, received a nearly \$8,000 raise/bonus without Board approval. When questioned in a board meeting, she falsely stated that she had not received a raise. When the Superintendent was questioned, she reluctantly admitted that she gave Mrs. Bulluck the raise." NCDPI is aware that Halifax County Schools has been working diligently in recent years to resolve disparities in pay rates throughout the school district. A Salary Study was conducted by an external party to identify inequities in 2012. This study included comparison of pay rates within Halifax County Schools as well as with surrounding school districts. Salary adjustments were made by Halifax County Schools in order to align salaries, including that of the Assistant Superintendent named, with comparable positions in the area. NCDPI has reviewed the salary and determined that it is consistent pay for the position compared to other school districts.

OFFICE OF THE STATE SUPERINTENDENT

June St. Clair Atkinson, Ed.D., *State Superintendent* | june.atkinson@dpi.nc.gov

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AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

The third allegation noted that at least 26 employees were currently overpaid and an unknown number of employees are underpaid. As stated in the previous explanation, Halifax County Schools has been working diligently to resolve inequities in pay. A Salary Study was completed in 2012 and salary adjustments were made accordingly. The 2012 study identified 26 employees being overpaid at that time. Once Halifax County Schools was notified of the identity of these 26 employees, actions were taken to transition to more reasonable salaries. One example of action taken was that Halifax County Schools decided that the salaries for these employees would be frozen and would no longer be eligible for annual raises. As part of the financial audit performed by an external audit firm, the list is re-evaluated annually. Currently, there are seven employees still considered overpaid. Halifax County Schools continues to work to get the salaries within the reasonable range without requiring the employee to have his/her salary cut.

The fourth allegation stated, "A recent former employee received a \$1,000 monthly bonus, and two \$2,000 bonuses per year in addition to her regular salary, and she was six (6) pay grades too high." NCDPI found one former employee of the school system who retired two years ago who was assigned various duties in the absence of a Director for the Exceptional Children's Program. This issue was previously brought up to the Halifax County School Board by Mr. Hedgepeth. The Halifax County Schools' Board attorney, Larry Armstrong, conducted a thorough investigation. The investigation concluded with no findings. If additional information is needed regarding this investigation, NCDPI can provide Mr. Armstrong's contact information.

The fifth allegation asserted that three retired finance officers were paid close to \$1 million to provide assistance to the Finance Officer. In 2008, it was discovered that Halifax County Schools was having significant financial problems. External auditors were unable to conduct the annual audit due to insufficient recordkeeping. In 2009, Dr. Frederick became superintendent. At this time NCDPI discussed the financial concerns with her. Halifax County Schools then contracted with the National Association of School Budget Officers (NASBO) to obtain experienced financial advisors to work on the reconciliation of all financial transactions and establish internal controls for the school system to avoid future financial deficits. The contract was paid in the amount of \$563,967 for these services and was carried out by the NASBO contractors apart from the day-to-day operations of the school system, which were handled by the Finance Officer of the school system.

The sixth allegation stated, "Nearly \$85,000 was spent without board approval to renovate the bathrooms at Dawson Elementary School, which was subsequently recommended by Dr. Frederick to be closed. The contractor was paid \$4,000 to pressure wash two bathrooms, and \$5,000 to paint the two bathrooms. The Assistant Superintendent for Operations and Personnel refused to provide me documentation concerning the process of how Halifax County Schools advertised, accepted, and awarded the bid to the contractor." NCDPI was aware of bathroom renovation projects at Dawson Elementary School. These projects were necessary updates and were funded through the NC Education Lottery. The renovations were presented to the Halifax County School Board and approved on December 2, 2013. Upon approval by the school board the contracts were presented to the Halifax County Commissioners and approved on January 3, 2014. The total estimated cost for the renovations was \$110,000, but the actual project cost was

\$85,000. The work was completed during the 2013-14 school year. The improvements were in place and used for over a year. At the time the contracts were approved, there was no discussion of closing the school. Toward the end of the 2014-15 school year the Halifax County School Board decided to close Dawson Elementary School due to low enrollment.

The seventh allegation raised questions regarding outstanding checks and payments to a retired finance officer. As previously mentioned Halifax County Schools was in financial turmoil for some time. It was discovered that there were checks not cashed by employees for reimbursements, and there was no process in place to reconcile this information. NASBO officers were contracted and assisted the school system in establishing a reconciliation process; the system included an itemized process for identifying uncashed checks, a process for contacting the recipient of such payments and a re-issuing of the check if the check was lost. The Halifax County School Board received regular updates on the status of the checks and the process for reconciling all checks. Currently there are no outstanding checks other than those checks considered to be reconciling items between months due to timing in the normal course of business.

The eighth allegation stated, "The auditors cited where Halifax County Schools executed a \$700,000 contract (technology) without board approval." In 2011, Race to the Top monies were awarded to all school systems in the state and included a required expenditure for expanding broadband services to all school systems. The service provider for Halifax County and surrounding counties was Century Link and an expedited process for all systems in the state was encouraged in order to increase the broadband services quickly. Auditors did cite that the contract did not go to the Halifax County School Board for approval before it was implemented. The Board was made aware of the contract and the majority of board members were in agreement with the contract. The final payment on the contract was paid on October 2, 2013.

The ninth allegation noted that employees of Halifax County Schools were not properly reimbursed for work-related travel. NCDPI found that employees traveling for the school system have access to the Halifax County Schools' cars and vans. Employees are urged to use these vehicles if available. If these vehicles are not available, employees are entitled to reimbursement for work-related travel. Halifax County Schools has paid and continues to pay all valid travel reimbursement requests submitted by an employee and approved by the supervisor.

The tenth allegation relates to misuse of funds through contracting with the Halifax County Sheriff's Office for School Resource Officers. NCDPI determined that all resource officers are paid through the Halifax County Sheriff's Office and are under a contractual agreement for their work during the school day and after hours for special events. The school system is invoiced by the county and the invoice is then paid by the school system. NCDPI reviewed this process as well as the contract fees. Both the process and the fees are comparable to other school districts. There was one concern raised related to a Resource Officer receiving a \$100 gift in cash from the 2013 graduating senior class for his assistance working during their prom night at the school. Mr. Larry Armstrong, attorney for the Halifax County Schools, investigated the concern that a resource officer may have received a cash gift and this practice of giving monetary gifts ceased.

Mr. Hedgepeth has repeatedly raised his concerns to the Halifax County School Board and NCDPI. Halifax County Schools as well as administration attempted to explain these issues on numerous occasions to Mr. Hedgepeth, but he has refused to accept the explanations. Halifax County Schools also issued a letter regarding these allegations, which is attached. Please let us know if you have any further questions or need to review the documentation.

Sincerely,

A handwritten signature in dark ink, reading "June St. Clair Atkinson". The signature is fluid and cursive, with the first name "June" being the most prominent.

June St. Clair Atkinson

JSA:JA:mw

c: Dr. Rebecca Garland, Assistant State Superintendent
Mr. Philip Price, Chief Financial Officer
Dr. Nancy Barbour, Director of District and School Transformation
Dr. Tammy Howard, Director of Accountability Services
Dr. Lou Fabrizio, Director of Data, Research and Federal Policy
Ms. Katie Cornetto, State Board of Education Attorney
Ms. Jeani Allen, Director of Internal Audit and Assurance Services



Office of the Superintendent

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May 25, 2016

The Honorable June Atkinson
North Carolina Department of Public Instruction
6301 Mail Service Center
Raleigh, NC 27699

Also sent VIA email to: Jamie Woodlief, assistant to Dr. Atkinson,
jamie.woodlief@dpi.nc.gov

Dear Dr. Atkinson:

I am responding to the allegations made by Mr. Charles Hedgepeth to the United States Department of Education regarding the operation of Halifax County Schools. I understand the USDOE has asked for your department to investigate these items. I have already responded and offered any assistance to Dr. Nancy Barbour of your department. I am writing to make clear my position that the claims by Mr. Hedgepeth of "possible fraud, waste, misuse, or mismanagement of United States Department of Education program funds" are without merit. Mr. Hedgepeth has repeatedly made the same assertions as are in his letter, and they have been addressed by the board and the board's attorney. Further, as you know well, Halifax County Schools is unique in this state in having representation from the State Board/Department of Public Instruction at every board meeting. A court reporter has recorded all of our meetings at state expense since October of 2013. The state-level staff members have been present when Mr. Hedgepeth has repeatedly made these assertions. I am confident that they would have alerted you if they thought there was any merit to his allegations.

In terms of the scope of his assertions, most have nothing to do with the use of federal funds. Most also are years old and Mr. Hedgepeth continues to raise them in any forum he can find. For example, he repeatedly asserts that I do not have a valid contract, an assertion disputed by the majority of the board, the board attorney, and myself.

He makes multiple challenges regarding the administration of financial affairs that are not in any way related to the use of federal funds. During my tenure, I have engaged in processes to improve operations. Kerry Crutchfield was hired to conduct a salary study. The NCASBO was engaged in assessing and improving our operations. Mr. Hedgepeth, rather than noting the improvements brought about by these engagements, chooses to question the use of funds for these consultants (NCASBO). In other assertions, he also raises questions of outstanding checks. As reflected in the minutes, all of these issues have been resolved. He questions

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comparison of pay of employees. These also have been addressed and resolved with the board.

Of all his allegations, only one relates to the use of federal funds. Rather than the \$700,000 amount noted by Mr. Hedgepeth, auditors made a finding that a Race to the Top project began without prior board approval of the initial payment. The audit finding was as follows:

"We identified an expenditure for \$76,898 that was a partial payment on a contract with a total contract value of approximately \$740,000 that was not approved by the Board. The original contract was signed by an employee of the district on March 7, 2011. This expenditure was not posted on-line utilizing IPS nor was the expenditure advertised in local newspapers." The auditor's recommendation was that "the Board implement a system of internal controls to ensure that all laws, regulations, and provisions of contracts and/or grant agreements are complied with." The management response was "the Board agrees with this finding and recommendation." We have implemented such a system.

I am pleased that Halifax County Schools operations have improved significantly during my tenure as superintendent. As a result of four years of work with NCASBO, the district has progressed from numerous financial challenges to having three consecutive unmodified audits. Further, the district reduced audit findings from 70 in 2008 to 5 in 2013. In addition, a debt of \$1,264,312.00 for charter schools and Halifax County has been paid.

It is unfortunate that Mr. Hedgepeth continues to divert attention away from the issue that matters most: our continued efforts to improve educational opportunities for our children. During my tenure as superintendent, we have been under the constant gaze of the State Board and Judge Manning through the ongoing *Leandro* litigation. I welcome the scrutiny and am grateful for all support we have received. I believe in my community. And I stand ready to defend against such meritless assertions as made by Mr. Hedgepeth.

I have compiled documentation on each and every assertion made by Mr. Hedgepeth and would be glad to provide it to you. The documentation is voluminous. Because your staff has been present, you may already have this documentation or since only one allegation addresses federal funds you may not need them. I am ready to assist in any way that is helpful.

Thank you for your leadership to Halifax County Schools and this great state.

Sincerely,

A handwritten signature in cursive script that reads "Elease Frederick".

Dr. Elease Frederick, Superintendent

cc: Halifax County Board members:

Mrs. Debbie Hardy, Chair

Mr. Claude Cooper, Vice Chair

Mrs. Joyce Lashley

Mrs. Susie L. Evans

Mr. Charles R. Hedgepeth

Ms. Carolyn Hawkins

Dr. Donna Hunter

Larry, Armstrong, Halifax County Schools attorney

Dr. Nancy Barbour, VIA email at Nancy.Barbour@dpi.nc.gov