



THE HONORABLE CURTIS M. LOFTIS, JR.

State Treasurer

April 20, 2020

The Honorable Henry McMaster
State House
1100 Gervais Street
Columbia, SC 29201

Dear Governor McMaster,

I would like to thank you and your team for the extraordinary efforts to cope with the Coronavirus and its effect on South Carolina. It is clear your administration has been “up to the task” and South Carolina and her citizens have benefited from your exemplary work.

Concerning the CARES Act relief funds and the resulting expenditures, I would like to raise a note of concern. SC has a growing yet unregulated dependence on non-profit organizations to assist the state in its work. While certain organizations may be helpful, I am concerned about the lack of requirements for meaningful audits, programmatic oversight and review of these organizations. Frankly, there is little accountability or transparency.

Over the last two years I have researched many 501c3s so that I might better understand how they work and whether the state is receiving value for money. I found the interest of the non-profits is often served first and the interest of the State is second. In many instances the documentation required for oversight simply did not exist, or the information was never released to the state agency managing the non-profit, or the agency never asked for the information, and if it did, never read or acted upon it, or understood it. This failure to act on behalf of the state was not due to casual negligence, but structural deficiencies in how these arrangements are created. For example: the contracting agency may not be the end user or subject matter expert, or the reports may be, purposefully, dense and obtuse, causing the reader bewilderment instead of understanding.

Typically, when I have raised questions about discrepancies in accounting, services rendered or mission creep (or failure), I have been met with little response except for efforts to “bury the issue.” Sadly, the first rule of non-profit management... to recruit politically influential individuals for your board...also serves well as protection from scrutiny. On more than one occasion an influential board member simply phones a budget writer, causing my inquiry to be ignored.

There is growing dissatisfaction in certain parts of state government concerning the lack of transparency, accountability and success of the non-profits hired to assist the state. I believe the skepticism and scrutiny will increase and that the sizable amount of funds soon to be expended by the state will be closely examined by many, and it is my fear that these non-profits could cloud the fine work produced by your administration.

Governor, we are fortunate to have an active, well trained and diligent workforce of state and local government employees. It is my hope we use them whenever possible as they are ready, willing and able to master the tasks before them AND because transparency and accountability is an ordinary requirement of their duties. I have no wish to degenerate the non-profit sector, but it is clear that the state's duty to provide desperately needed services in an accountable and transparent manner, is best served through our public workforce.

I close this letter with my best wishes for your continued success in leading our state during these distressing times, and with prayers of safety for you, your team, and your family.

Sincerely,

A handwritten signature in black ink that reads "Curtis Loftis, Jr." in a cursive script.

Curtis M. Loftis, Jr.
State Treasurer

CML/ebf