

State of South Carolina  
**Office of Comptroller General**

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**BRIAN J. GAINES**  
COMPTROLLER GENERAL

CHIEF OF STAFF

December 12, 2023

**VIA ELECTRONIC MAIL**

The Honorable Curtis M. Loftis, Jr.  
State Treasurer of South Carolina  
Wade Hampton Building, Suite 214

Dear Treasurer Loftis:

Thank you for your November 30, 2023, letter in which you emphasized the State's responsibility to provide accurate and timely disclosures to bond investors. We are fully cognizant of that responsibility and the other timely and accurate disclosures needed for the State's financial information. While I cannot speak to the consultation the former Comptroller General had with the State Treasurer's Office regarding the FY2022 ACFR, I have been in communication with you and your office for the FY2023 ACFR.

The Comptroller General's Office, the State Auditor, and the State's external auditor, CliftonLarsonAllen, are all confident to a reasonable degree of certainty that the amounts in SCEIS Fund 30350993 are part of the General Fund fund balance, and that this treatment of the money in this Fund is correct in the FY2022 ACFR and for the upcoming FY2023 ACFR.

SCEIS Fund 30350993 is a Treasury Fund with the current amount of \$1,852,455,573 that has been in the possession and control of the State Treasurer's Office since its creation in October 2014. Because this amount is in a Treasury Fund, it is not currently presented to the General Assembly as moneys potentially available for appropriation. Nor has it ever been presented to the General Assembly as moneys potentially available for appropriation in the General Fund. And because of the technical specifications of this particular Fund when it was established, it was not captured for ACFR purposes. In accordance with fund accounting principles, the amounts in this Fund should have been moved within the SCEIS system—from Fund 30350993 to the appropriate SCEIS Fund or Funds, thus making it accurately reported and fully visible to the General Assembly.

As you know, the State Treasurer's Office must follow state law to identify all State cash and investments by Fund. The State Treasurer's Office would have sole and exclusive possession of the State records showing the source and history of the moneys in Fund 30350993. All the money in Fund 30350993 has accumulated during the past ten years and during the State Treasurer's Office's conversion from STARS to SCEIS which started in 2014, with most of the deposits accumulating in the seven months between March 5 and October 26, 2018.

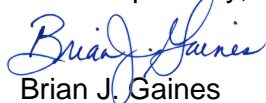
Fund 30350993, as understood by the Comptroller General's Office, was originally established by the State Treasurer's Office to balance entries coded incorrectly between bank accounts – and it was set up as to not be presented to the General Assembly as moneys potentially available for appropriation or to be included in the ACFR. However, in 2017, the State Treasurer's Office began posting entries to this fund to balance the cash held in different banks under the General Ledger to the actual cash held at third-party institutions. It was during this latter period of the conversion process from STARS to SCEIS that the money in Fund 30350993 accumulated but remained (and continued to remain) unaccounted for in the collection of information for the ACFR until FY2022. This also makes it invisible to the General Assembly as available General Fund moneys, and it causes SCEIS, which is the State's book of record, not to agree to the ACFR.

The State Treasurer's Office has the records to determine if and how the money in Fund 30350993 has been invested over the past five years. It appears the State Treasurer's Office has been investing the balance of Fund 30350993 within the General Fund portfolio since at least 2017. This conclusion is based on the State Treasurer's Office investment reports, specifically the ZIMRQ300, and reconciling the cash and investments by fund. But only the State Treasurer's Office has the records showing how the money in Fund 30350993 has been invested over the past five years. If the money has not been invested, then a reclassification of the money should occur immediately so that the State can gain the benefit of the money.

The State Treasurer's Office is the only State entity that may move the amounts in Fund 30350993 to the appropriate SCEIS Funds and make its purpose known to the General Assembly. Unless you have reason to disagree, the appropriate SCEIS Funds to which these amounts should be moved are part of the General Fund balance. Regardless, consistent with your obligations within the State Fiscal Accountability Authority please make the General Assembly aware of Fund 30350993 and its appropriate treatment.

As requested in your letter, I am enclosing a nearly final draft of the FY2023 ACFR for your review. If you disagree with any of the treatment of the money in your office's possession, please let us know.

Most respectfully,



Brian J. Gaines  
South Carolina Comptroller General

Enclosure  
FY2023 ACFR draft