



State of South Carolina
Office of Comptroller General

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RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL

WILLIAM E. GUNN
CHIEF OF STAFF

September 21, 2016

The Honorable Curtis M. Loftis Jr.
State Treasurer
Wade Hampton Office Building
Columbia, South Carolina 29201

Dear Mr. Treasurer:

Your office notified me last Friday by letter and email (copies enclosed) that it had furnished state agencies with incorrect data on amounts the agencies earned in FY 2016 on their deposits which are invested by your office, and that you are working to resolve an internal reporting issue so that you can provide them corrected data they will need for their audited 2016 financial statements.

Your office indicated that impacted agencies may be unable to meet deadlines for providing us their audited financial statements that are needed for completing the State's 2016 CAFR. To assist with timely issuance of the CAFR, those audited financial statements from universities, technical colleges, and several other state entities are due to my office by October 1. I sincerely hope that your office will be able to provide corrected data to impacted agencies in a reasonable amount of time before October 1 to allow sufficient time for agency personnel and their independent auditors to evaluate it and provide us their audited financial statements by the due date. In addition to any potential delays resulting from late financial statement submissions, the State's CAFR auditors will need additional time to examine and document the issues surrounding the erroneous investment earnings calculations.

Please note that the scheduled date for issuing the State's 2016 CAFR is November 17, 2016. For many months we have been coordinating with the CAFR auditors and we have jointly developed a time line to meet this scheduled issuance date. We are grateful for the encouragement and support we have received from the Legislative Oversight Committee for achieving our objective of providing the CAFR, in as timely a manner as possible, to the rating agencies, bond holders, and other parties interested in the information the CAFR contains.

Because of the importance of promptly completing the CAFR, please provide us the following information based on your current awareness of the situation and your plans to resolve:

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- Which specific agencies on the enclosed list of "Financial Statement Agencies" are impacted?
- Is the General Fund impacted?
- Which special revenue funds or earmarked funds/accounts, if any, are impacted?
- Which trust or agency funds, if any, are impacted?
- Because timely resolution is crucial, what additional state resources might your office need to promptly identify and correct the cause of the incorrect data?
- When do you anticipate the corrected data will be available?

It is extremely important that all affected parties work to promptly resolve the problems leading to this situation. Please know that my office will assist in any way possible, and I will support any request you might make of the General Assembly or the Department of Administration to garner the additional resources necessary to timely resolve this apparent setback.

Very truly yours,

Signature Redacted

RE/jds

Enclosure (3)

cc: The Honorable Hugh K. Leatherman Sr., Chairman, Senate Finance Committee
The Honorable W. Brian White, Chairman, House Ways and Means Committee
The Honorable Wm. Weston J. Newton, Chairman, Legislative Oversight Committee
George L. Kennedy III, State Auditor
Marcia Adams, Executive Director, Department of Administration

THE HONORABLE CURTIS M. LOFTIS, JR.

State Treasurer

September 15, 2016

Richard Eckstrom, CPA
Comptroller General
Office of the Comptroller General
1200 Senate Street
Columbia, SC 29201

Mr. Eckstrom,

As you are aware, this past fiscal year, we have been diligently working to achieve a major transition from legacy accounting systems to the Statewide Enterprise Information System (SCEIS). During this time, we migrated from the legacy Investment Management System (IMS) to the newly developed NVEST SAP functionality for the management of all investment portfolios and investment activities. Having integrated all investment activity into the SCEIS accounting system for fund-based accounting, the State will realize significantly increased day-to-day operations, reporting and data analysis capabilities.

Since the legacy system had been in place for thirty years, this transformation required nothing short of a paradigm shift. I am sure you can understand that such an undertaking comes with monumental opportunities and challenges. During this period, we appreciate the time that your staff has invested throughout the conversion to provide input, assist in developing future state processes and agree upon more effective accounting deliverables and outcomes.

In reviewing year-end reports, we have identified a potential reporting issue with the accrued interest balance for investments, which will impact agencies submitting audited financial statements to your office. Based on this information, we believe that these agencies impacted by this issue may not be able to meet the October 1 deadline with accurate information.

Our request is flexibility in extending the aforementioned deadline until the reporting issue is resolved. While we were aware that a shortened timeframe was established for this year's CAFR, we believe that it places an undue burden on the Treasurer's Office and agencies during the final stages of validating and releasing year-end reporting. We are currently assessing this matter and will extend every resource to ensure an appropriate resolution and validation of information being reported by this office and impacted agencies.

I am sure you understand that such an undertaking comes with monumental challenges, and we thank you in advance for your continued support and patience as we work through this transition. Above all, you can be confident that the Treasurer's Office remains committed to providing the highest standards for management, security and accountability of all assets held under Trust.

We appreciate your patient support and cooperation as we work to resolve this matter.

Sincerely,

Signature Redacted

Clarissa T. Adams
Chief of Staff

CTA/lmd

Cc: George Kennedy, State Auditor

From: "Summers, West" <West.Summers@sto.sc.gov>

Date: September 16, 2016 at 4:00:28 PM EDT

To: "Haupt, Allison" <ahaupt@cg.sc.gov>, "Griffin, Anjali" <agriffin@cg.sc.gov>, "Gunn, Eddie" <egunn@cg.sc.gov>, "Franklin, Jessica" <Jessica.Franklin@sto.sc.gov>, "Dawkins, Norma" <ndawkins@osa.sc.gov>, "Avery, Bob" <bavery@peba.sc.gov>, "Davis, Bob" <bdavis@peba.sc.gov>, "doliver@peba.sc.gov" <doliver@peba.sc.gov>, "mmcdermott@peba.sc.gov" <mmcdermott@peba.sc.gov>, "Redfern, Paulette" <predfern@peba.sc.gov>, "alstonj2@citadel.edu" <alstonj2@citadel.edu>, "rena.ferrell@citadel.edu" <rena.ferrell@citadel.edu>, "kskay@clemson.edu" <kskay@clemson.edu>, "sherrir@clemson.edu" <sherrir@clemson.edu>, "whapesh@clemson.edu" <whapesh@clemson.edu>, "willande@cofc.edu" <willande@cofc.edu>, "singletonp@cofc.edu" <singletonp@cofc.edu>, "cbender@coastal.edu" <cbender@coastal.edu>, "lchurch@coastal.edu" <lchurch@coastal.edu>, "cswartz@fmarion.edu" <cswartz@fmarion.edu>, "mmcdill@fmarion.edu" <mmcdill@fmarion.edu>, "hsingletary@fmarion.edu" <hsingletary@fmarion.edu>, "awilkie@lander.edu" <awilkie@lander.edu>, "tcovar@lander.edu" <tcovar@lander.edu>, "tталley@lander.edu" <tталley@lander.edu>, "robfogle@scsu.edu" <robfogle@scsu.edu>, "cmcinnis@mailbox.sc.edu" <cmcinnis@mailbox.sc.edu>, "kiblerm@mailbox.sc.edu" <kiblerm@mailbox.sc.edu>, "williamsjl@winthrop.edu" <williamsjl@winthrop.edu>, "hildrethtl@winthrop.edu" <hildrethtl@winthrop.edu>, "felderm@musc.edu" <felderm@musc.edu>, "fancyrm@musc.edu" <fancyrm@musc.edu>, "bruorton@musc.edu" <bruorton@musc.edu>, "willss@musc.edu" <willss@musc.edu>, "pollardc@scstechsystem.edu" <pollardc@scstechsystem.edu>, "hillt@scstechsystem.edu" <hillt@scstechsystem.edu>, "Brown, Russell" <RBrown@scfirststeps.org>, "keubanks@scetv.org" <keubanks@scetv.org>, "thurstinm@wlgos.sc.gov" <thurstinm@wlgos.sc.gov>, "clarissa.parks@delahowe.k12.sc.us" <clarissa.parks@delahowe.k12.sc.us>, "Hunt, Kendra" <Kendra.Hunt@admin.sc.gov>, "Rochester, Renee" <Renee.Rochester@admin.sc.gov>, "audrey.adams@schousing.com" <audrey.adams@schousing.com>, "gabriel.creech@schousing.com" <gabriel.creech@schousing.com>, "hank.moore@schousing.com" <hank.moore@schousing.com>, "paul.linhardt@schousing.com" <paul.linhardt@schousing.com>, "richard.hutto@schousing.com" <richard.hutto@schousing.com>, "chuffman@sccommerce.com" <chuffman@sccommerce.com>, "cbelton@sccommerce.com" <cbelton@sccommerce.com>, "nmagar@patriotspoint.org" <nmagar@patriotspoint.org>, "rbreland@patriotspoint.org" <rbreland@patriotspoint.org>, "Rish, Margie" <Margie.Rish@sccbanc.sc.gov>, "gmurphy@saf.sc.gov" <gmurphy@saf.sc.gov>, "jharmon@saf.sc.gov" <jharmon@saf.sc.gov>, "mmills@doi.sc.gov" <mmills@doi.sc.gov>, "dgrant@dew.sc.gov" <dgrant@dew.sc.gov>, "sroben@dew.sc.gov" <sroben@dew.sc.gov>, "comforta@scdot.org" <comforta@scdot.org>, "Keys, Brian" <keysbw@scdot.org>, "Hall, Christy" <hallca@scdot.org>, "smithkl@scdot.org" <smithkl@scdot.org>, "donklekl@dot.state.sc.us" <donklekl@dot.state.sc.us>, "bakerjk@scdot.org" <bakerjk@scdot.org>, "simmonsns@scdot.org" <simmonsns@scdot.org>, "ludlamsa@scdot.org" <ludlamsa@scdot.org>, "reedtb@scdot.org" <reedtb@scdot.org>, "bborry@scspa.com" <bborry@scspa.com>, "tsofty@scspa.com" <tsofty@scspa.com>, "Carraway, Denise" <Denise.Carraway@sfaa.sc.gov>

Cc: "Fallaw, Chuck" <Chuck.Fallaw@sto.sc.gov>, "Miller, Leann" <Leann.Miller@sto.sc.gov>

Subject: STO Reporting Issue/Accrued Interest Reporting

In reviewing year-end reports, The State Treasurer's Office (STO) identified a potential reporting issue with the accrued interest balance for investments that may impact agencies submitting audited financial statements to the Comptroller General's (CG) office or State Auditor's Office (SOA). On your behalf, STO advised the CG and SOA of the need for additional time to submit your financial statements to their office. This will allow us time to diligently assess the issue, and determine the proper solution.

STO will provide you with new reports, as soon as possible, with the revised amount for the accrued interest balance for investments. If you have already submitted your draft financial statements, you may need to submit a revised copy after the new information is received.

STO recognizes the impact this may have, and appreciates your patience, support and cooperation as we work through this transition.

J. West Summers, III
Investment Management Division
South Carolina State Treasurer's Office
P.O. Box 11778
Columbia, S.C. 29211

Office: 803-734-2641

Email: west.summers@sto.sc.gov

Financial Statement Agencies

Department of Employment and Workforce – Unemployment Compensation Fund
Department of Transportation
Future Scholar – Advisor
Future Scholar - Direct
Insurance Reserve Fund
Local Government Investment Pool
Department of Commerce - Palmetto Railways
Retirement Systems
State Accident Fund
Transportation Infrastructure Bank
Tobacco Settlement Authority
Tuition Prepayment Program
Public Employee Benefits Administration – Employee Insurance Program
Public Employee Benefits Administration – Retiree Health Insurance Trust Fund
Public Employee Benefits Administration – Long Term Disability Insurance Trust Fund
Public Service Authority
State Ports Authority
State Housing Finance and Development Authority
Medical University of South Carolina
University of South Carolina
Clemson University
Children's Trust Fund of South Carolina, Inc.
Connector 2000 Association, Inc.
Education Assistance Authority
First Steps to School Readiness
Jobs – Economic Development Authority
Lottery Commission
Medical Malpractice Liability Joint Underwriting Association
Medical Malpractice Patient's Compensation
Patriot's Point Development Authority
The Citadel
Coastal Carolina University
College of Charleston
Francis Marion University
Lander University
South Carolina State University
Winthrop University
Aiken Technical College
Central Carolina Technical College
Denmark Technical College
Florence-Darlington Technical College
Greenville Technical College
Horry-Georgetown Technical College
Midlands Technical College
Northeastern Technical College
Orangeburg-Calhoun Technical College
Piedmont Technical College
Spartanburg Community College
Technical College of the Lowcountry
Tri-county Technical College
Trident Technical College
Williamsburg Technical College
York Technical College