



THE HONORABLE CURTIS M. LOFTIS, JR.

State Treasurer

May 25, 2017

The Honorable Wm. Weston J. Newton
Chairman, S.C. House Legislative Oversight Committee
Post Office Box 11867
Columbia, SC 29211

Dear Chairman Newton,

The State Treasurer's Office (STO) is in receipt of your letter from the House Legislative Oversight Committee dated April 11, 2017 concerning the STO and the S.C. Enterprise Information System (SCEIS). I am confident the information provided in this response answers your questions to the best of our ability.

(1) Ms. Adams testified some aspects of conversions have been completed, but others are still in progress (e.g., reporting). Please list the major parts of a complete conversion (i.e., reporting, etc.).

With the passage of Act 151 of 2005 (codified at S.C. Code §§ 11-53-10 and -20), the General Assembly required all agencies to implement SCEIS. In compliance with this mandate, the STO completed the required conversions by 2010. As stated by the SCEIS Executive Oversight Committee:

The scope of the SCEIS project has been, and continues to be, the SAP implementation for Finance, Materials Management (procurement), Human Resources, Payroll and Budgeting for state government agencies, collectively referred to as the "enterprise."¹

Compliance was achieved within the allotted time and according to mandate by converting agency core functions to SCEIS (Finance conversion completed in 2007² and HR/payroll conversion completed in 2010³). As a result, functions of the statewide enterprise managed through the Treasurer's Office have

¹ See 2008 Annual Report on the Implementation of SCEIS, available at <http://sceis.sc.gov/page.aspx?id=245>.

² See *id.* ("The Finance ... modules of SAP were successfully implemented on November 5, 2007 in six agencies, including ... the Treasurer's Office.").

³ See 2010 Annual Report on the Implementation of SCEIS, available at <http://sceis.sc.gov/page.aspx?id=247> ("As of September 2, 2010, seventy (70) agencies had implemented the Payroll and Human Resources Systems").

been either converted to SCEIS or converted to interface with SCEIS. Be assured, SCEIS is the official state book of record for all financial matters.⁴

Under the current administration, the STO has, as previously communicated to the LOC Subcommittee, identified additional SCEIS conversion goals not mandated by legislation concerning major subsystems.⁵ The STO has converted two of these additional subsystems (Investments and Depository Accounts). No statutory requirement has been mandated for conversion of these subsystems since, as with other agencies, all financial data currently interfaces with SCEIS so that all systems are compliant; however, the STO has determined that conversion of these subsystems will be optimal for the efficiency of State business.

(2) Please provide the information requested in Attachment A to this letter.

Please see the attached chart. Note that any dates provided are target dates, not definitive completion dates. This distinction is crucial as the complexity of these systems requires a methodical and measured approach that includes essential testing. As you know, the process of completing subsystem conversions of this magnitude is not our “business as usual.” Each step is completed alongside regular STO operations and presents unique and complex circumstances that require flexibility to perform. It is important that these processes remain as fluid as possible in order to ensure that systems evaluations, the conversion process, the coordination of subsequent testing with other entities such as the S.C. Department of Administration, and all converted operations are performed in the best interest of the State.

(3) Are there any systems or subsystems the Treasurer’s Office does not plan to convert? If so, please list each one and, for each, explain under what authority the Treasurer’s Office has the option of not converting the system or subsystem.

Please see the attached chart. The STO regularly evaluates any systems that interface with, but are not operationally converted to, SCEIS in order to ascertain whether the State is better served by carrying out a complete conversion to SCEIS or by utilizing a specific middleware which interfaces with SCEIS to reach the desired outcome. For example, SCEIS is not designed to carry out the operations required to manage unclaimed property. Instead, unclaimed property uses an industry specific software program that interfaces with and provides information to SCEIS. It is important that the agency is allowed to evaluate each program and determine which software is best designed to run each program efficiently, as long as such programs maintain compliance by interfacing with and providing information to SCEIS.

(4) Why does the Treasurer’s Office only provide information on cash, unclaimed property, securities lending, and local government investment pool to the Comptroller General once a year as

⁴ See 2012 Annual Report on the Implementation of SCEIS, available at <http://sceis.sc.gov/page.aspx?id=248> (“SCEIS is now the official financial book of record for the State of South Carolina”).

⁵ See January 26, 2012 Presentation of SCEIS Executive Oversight Committee, available at <http://sceis.sc.gov/page.aspx?id=248> (identifying future projects of STO including, *inter alia*, STARS, Investment Management System, Debt Management System, Unclaimed Property Program, QED – Retirement Funds).

opposed to this information being in the general ledger in SCEIS where it can be updated and available anytime during the year?

Again, by Legislative mandate, SCEIS is the book of record for the State of South Carolina and the STO. All cash transactions of the General Depository of the State utilized by agencies for their receipting/depositing activities are currently accounted for within SCEIS. All disbursements of those funds for operating purposes such as payroll and vendor payments are accounted for within SCEIS.

All activity of the Unclaimed Property Program is, in fact, accounted for within SCEIS to include all cash balances, deposits and disbursements thereof. The actuarially determined liability for future payments to owners of said funds is the only item reported to the Comptroller annually outside of SCEIS.

All Securities Lending activities are also accounted for within SCEIS to include the revenues and realized gains and losses within the respective portfolios associated.

The local government investment pool is comprised of funds from various political subdivisions which are not a part of the statewide enterprise, and therefore is not accounted for within SCEIS. Such financial data not interfaced with SCEIS is audited. Audited financial statements are prepared for programs outside the enterprise and provided to the State Auditors and the Comptroller General's office each year. All financial data managed by the STO, with the exception of those outside of the enterprise, interface into SCEIS on a daily basis.

The activities of the Composite Reservoir, which are comprised primarily of agencies such as state universities which are NOT on SCEIS, are not accounted for within SCEIS. Instead, they are accounted for within the State Treasurer's Office Financial Management System (FMS) ledger. Reports are available monthly and show, by Agency and Account, the daily summary of activity and the month end balances. Agencies which hold Composite Reservoir Accounts also report their activities pursuant to Proviso 117.83 of the 2017 Appropriations Act.

(5) Are the statewide functions managed through the Treasurer's Office the only conversions left to complete the SCEIS conversion for the state?

Again, the STO has completed the SCEIS conversions required by the 2005 legislation, and any outstanding conversions are in addition to those mandated by statute. As for other outstanding SCEIS conversions for the state, it is our understanding, upon information and belief, there are other state agencies that have not converted all subsystems to SCEIS as well as governmental entities statutorily exempt from conversion. See S.C. Code § 11-53-20 (providing General Assembly's SCEIS implementation mandate does not apply to lump-sum agencies, General Assembly or its committees, Legislative Council, and Legislative Services Agency). We are unable, however, to completely and accurately assess and attest to the conversion status of any agency other than our own. Accordingly, it would be inappropriate for the STO to comment on such matters.

(6) Please list the number of staff, by area (e.g., IT, Financial Analysts, Support Staff, etc.), from the Treasurer's Office and Department of Administration that are involved in the conversion of the systems to SCEIS.

It would be impossible to accurately report on the number of staff members who have had some part in the complex evaluations and conversions completed by the STO, especially since the initial conversion process began in 2007, long before the current administration came into office. The STO's conversion process also involves testing by staff from various other entities and agencies that are integral to the process. Under the nearly six and a half year tenure of the current administration, numerous staff members have contributed to the conversion process in varying degrees; we are simply unable to retroactively determine the number of individuals who may have contributed to the STO's SCEIS conversions in some capacity.

As previously indicated, the STO is unable to completely and accurately assess and comment on the conversion efforts of any other agency. Accordingly, we request any questions concerning the Department of Administration's staff be directed to that agency.

We are optimistic these responses answer your questions and serve to augment your confidence in the work being completed by the STO on behalf of the State. It is perhaps helpful to clarify that the STO has not continuously attempted the conversion of subsystems to SCEIS since 2007; in other words, it has not been a decade-long process. Instead, the STO completed the legislatively mandated conversions between 2007 and 2010. No other conversions of statewide Treasury functions or subsystems were attempted until the tenure of the current State Treasurer began. Indeed, after conducting a thorough evaluation of the systems in place, I became the first State Treasurer to commit to the current multi-year conversion of statewide Treasury functions to SCEIS. The STO is pleased to have successfully converted both banking and investments on behalf of the State, and is committed to the ongoing evaluation of all STO systems/subsystems and the careful selection of optimal software to complete the State's business within the SCEIS system.

The STO appreciates the opportunity to provide clarity. I trust this letter reflects the efforts of the STO and proves informative to the Committee as this process moves forward.

Sincerely,

Signature Redacted

Curtis M. Loftis, Jr.
State Treasurer

CML/ebf

cc: The Honorable members of the House Legislative Oversight Committee
Staff of the House Legislative Oversight Committee

Legislative Oversight Committee
Agency's Conversion of Statewide Information In...

* Note: If the conversion of all parts of a system or subsystem are complete, the agency may simply type "conversion complete"

System	Comments
SCEIS Human Resource (HR) module	Conversion Complete
SCEIS Financial Reporting (FI) module	Conversion Complete
SCEIS Funds Management (FM) module	Conversion Complete
SCEIS Controlling (CO) module	Conversion Complete
SCEIS Grant Management (CM) module	Conversion Complete
Investment Management System *	Conversion Complete. STO has consulted with SAP (vendor for SCEIS) and has determined that the implementation of reporting enhancements should be the next priority in the systems timetable. SAP has estimated earliest date for completion of reporting enhancement is April 2018.
Debt Management System *	Investments reporting enhancements have replaced Debt system timetable. When investments reporting enhancements are complete, Debt conversion will begin; therefore, estimated completion date for the Debt Management System is now FY19. Please note: ALL business transactional functionality is fully employed in the current debt system, and SCEIS is the transactional book of record for Debt. Additionally, all financials currently interface into SCEIS. Reports are provided to all state entities that have issued bonded debt. The current Debt system integrates and/or interfaces with SCEIS.
Banking Deposits System	Conversion Complete
Cash Management Subsystem	N/A No conversion is currently considered necessary as Cash is being managed using data from all implemented SCEIS Modules.
Financial Management Subsystem	N/A No conversion is necessary. No necessary information is retrieved from SCEIS. Composite Reservoir accounts, comprised primarily of agencies such as universities, are legislatively exempt and are NOT on SCEIS. The Composite Reservoir accounts, however, are accounted for within the State Treasurer's Office FMS ledger and monthly reports that show by Agency and Account the daily summary of activity and the month-end balances. Agencies with Composite Reservoir Accounts also report their activities pursuant to Proviso 117.83 of the 2017 Appropriations Act.
Local Government Investment Pool Subsystem	Local government investment pool is comprised of funds from various political subdivisions which are not included in SCEIS. LGIP is also separately audited and submitted to the Comptroller General's Office and the State Auditor's Office.
Capital Projects Subsystem	N/A Department of Administration (DOA) is the lead agency. DOA statewide Capital Projects subsystem (SPIRS) will interface with SCEIS. STO Capital Projects functionality, while not material, will be integrated into the state-wide project at that time.
Health and Human Services (HHS) SubSystem	N/A HHS is a lead agency and not part of STO. HHS subsystem will interface with SCEIS Treasury Module.
Capital Leases Subsystem	N/A No conversion is necessary. The STO reports 2-3 active capital leases to the CG's office annually in closing packages. With the change in GASB reporting requirements, agencies will self report to the CG's office.

* Recently, the STO completed an evaluation of operations and conducted a subsequent consultation with SAP, the vendor for SCEIS. SAP concurred with the STO's finding that in order to maintain optimal efficiency, the STO should prioritize instituting reporting enhancements for Investments systems (conversion complete) over the Debt system. As a result, the STO is amending its plan and instituting enhancements to Investment reporting before Debt. In an effort to provide a timetable, the STO also asked SAP to provide a target date for completion of reporting enhancements and testing. SAP recommends that the earliest possible target date be set for April 2018. The completion of Debt will take place as soon as report enhancements are complete. Therefore, the target date for Debt conversion has been moved to FY 2019.