**NO. 57**

**JOURNAL**

**OF THE**

**SENATE**

**OF THE**

**STATE OF SOUTH CAROLINA**

****

**REGULAR SESSION BEGINNING TUESDAY, JANUARY 14, 2025**

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**MONDAY, APRIL 21, 2025**

**Monday, April 21, 2025**

**(Statewide Session)**

~~Indicates Matter Stricken~~

Indicates New Matter

 The Senate assembled at 12:00 Noon, the hour to which it stood adjourned, and was called to order by the PRESIDENT.

 A quorum being present, the proceedings were opened with a devotion by the Chaplain as follows:

Malachi 4:2a

 The prophet Malachi proclaims: “But for you who revere my name the sun of righteousness will rise with healing in its wings.”

 Please, bow with me as we pray: O most loving God, here in the Senate of South Carolina we prayerfully remember yet again how important it is to walk closely with You, to trust unfailingly in the care of Your Spirit, to pursue and follow Your wisdom whenever we can do so, and always to act on what is known to be right. So here during this special session, Lord, we ask that You will indeed bless each of these Senators as together they strive to achieve what truly is best for the citizens of this State. By Your grace bind us all together as one people, confident that we truly are sheltered by Your healing wings. And of course, O Father, we join in offering prayers of condolence in the death this morning of Pope Francis. So we pray in Your loving name, dear Lord. Amen.

 The PRESIDENT called for Petitions, Memorials, Presentments of Grand Juries and such like papers.

**Call of the Senate**

 Senator PEELER moved that a Call of the Senate be made. The following Senators answered the Call:

Adams Alexander Allen

Bennett Blackmon Campsen

Cash Chaplin Climer

Corbin Cromer Davis

Devine Elliott Garrett

Goldfinch Graham Grooms

Hembree Hutto Kennedy

Kimbrell Leber Martin

Massey Nutt Ott

Peeler Rankin Reichenbach

Rice Sabb Stubbs

Sutton Tedder Turner

Verdin Walker Young

Zell

 A quorum being present, the Senate resumed.

**Leave of Absence**

 On motion of Senator HUTTO, at 12:08 PM. Senator JACKSON was granted a leave of absence until 12:00 Noon on Tuesday, April 22, 2025.

**Leave of Absence**

 On motion of Senator HUTTO, at 12:08 P.M., Senator WILLIAMS was granted a leave of absence for the balance of the day.

**Leave of Absence**

 On motion of Senator CLIMER, at 12:08 PM. Senators JOHNSON, FERNANDEZ and GAMBRELL were granted a leave of absence for the balance of the day.

**Committee of the Whole**

 Senator MASSEY moved that the Senate resolve into the Committee of the Whole.

 The motion was adopted.

 The Senate assembled as the Committee of the Whole and was called to order by the PRESIDENT.

 The PRESIDENT announced that the Committee of the Whole would conduct a hearing under Article XV, Section 3, of the South Carolina Constitution according to the Sense of the Senate motion adopted on April 2, 2025:

 Senator GROOMS moved that it be the Sense of the Senate:

 (A) Pursuant to the provisions of Section 3, Article XV of the South Carolina Constitution, 1895, the Senate, by this motion, establishes the procedure by which State Treasurer Curtis Loftis is admitted to a hearing in his own defense, or by his counsel, or by both, prior to a vote on a Concurrent Resolution to remove the State Treasurer from office.

 (B) On Monday, April 21, 2025, at noon, the Senate shall convene and immediately resolve itself into the Committee of the Whole to afford a hearing to Treasurer Loftis to provide a defense to the causes for removal contained in the Final Report of Findings and Recommendations on the “$1.8 Billion Discrepancy in Treasury Balances and Certain Other Matters,” published to the Senate on March 26, 2025 (Report).

 (C) The Chairman of the Committee of the Whole shall be the President of the Senate, who shall preside over the Committee of the Whole, recognize members, maintain decorum, and enforce the provisions of this Sense of the Senate motion.

 (D) Senators GROOMS and GOLDFINCH are designated to present the causes for removal contained in the Report and to respond to the defense provided by Treasurer Loftis. The Senate presenters shall have up to one hour and thirty minutes to present the causes for Treasurer Loftis’ removal. Following the presentation of his defense by Treasurer Loftis, the Senate presenters shall have up to thirty minutes to respond. Having provided documentation to Treasurer Loftis via online publication of the Report on the website of the Senate Finance Committee on March 25, 2025, the Senate Sergeant at Arms shall serve upon the State Treasurer a physical copy of the Report and of this motion upon its adoption. The Senate presenters may provide any additional documentation for members of the Committee of the Whole to consider so long as those documents are provided to Treasurer Loftis at least seven days prior to the hearing. No witnesses may be called by the Senate presenters.

 (E) The State Treasurer may be represented by defense counsel and shall provide the name of such designated counsel to the Clerk of the Senate within seven days of service of this motion. The privilege of the floor shall be extended to Treasurer Loftis and his counsel for the duration of the meeting of the Committee of the Whole. Treasurer Loftis shall be allowed up to three hours to present any defense he desires to the causes for removal presented. Treasurer Loftis may provide any documentation for members of the Committee of the Whole to consider so long as those documents are provided to the Clerk of the Senate at least seven days prior to the hearing. No witnesses may be called by the Treasurer.

 (F) Each member of the Committee of the Whole is permitted no more than ten minutes total for questioning of the Senate presenters, Treasurer Loftis and his counsel, or both. Questions may only be asked at the conclusion of the Senate presenters’ response to Treasurer Loftis’ defense.

 Senator GROOMS presented arguments on behalf of the Senate.

 Senator GOLDFINCH presented arguments on behalf of the Senate

 Senator GROOMS presented arguments on behalf of the Senate.

**RECESS**

 At 1:37 P.M., on motion of Senator MASSEY, the Senate receded from business.

 At 1:48 P.M., the Senate resumed.

 Counsel for State Treasurer Curtis Loftis were recognized to present a defense.

 Debbie Barbier presented on behalf of the Treasurer.

 Shawn Eubanks presented on behalf of the Treasurer.

 Treasurer Curtis Loftis addressed the Senate.

**RECESS**

 At 3:13 P.M., on motion of Senator MASSEY, the Senate receded from business.

 At 3:24 P.M., the Senate resumed.

 Johnny Gasser presented on behalf of the Treasurer.

**RECESS**

 At 4:43 P.M., on motion of Senator MASSEY, the Senate receded from business.

 At 4:54 P.M., the Senate resumed.

 Senator GROOMS presented a rebuttal on behalf of the Senate.

 Senator GOLDFINCH presented a rebuttal on behalf of the Senate.

 Senator HUTTO rose to address questions to Treasurer Loftis.

 Senator BLACKMON rose to address questions to Treasurer Loftis.

 Senator CHAPLIN rose to address questions to Senator GROOMS and Treasurer Loftis.

 Senator ZELL rose to address questions to Treasurer Loftis.

 Senator TEDDER rose to address questions to Treasurer Loftis.

 Senator STUBBS rose to address questions to Treasurer Loftis.

 Senator RANKIN rose to address questions to Treasurer Loftis.

**RECESS**

 At 6:41 P.M., on motion of Senator MASSEY, the Senate receded from business until 7:45 P.M.

 At 8:02 P.M., the Senate resumed.

 Senator SUTTON rose to address questions to Treasurer Loftis.

 Senator DEVINE rose to address questions to Treasurer Loftis.

 Senator OTT rose to address questions to Treasurer Loftis.

 Senator SABB rose to address questions to Treasurer Loftis.

 Senator CASH rose to address questions to Treasurer Loftis.

 Senator MATTHEWS rose to address questions to Senator GOLDFINCH and Treasurer Loftis.

 Senator ADAMS rose to address questions to Senator GROOMS and Treasurer Loftis.

 Senator WALKER rose to address questions to Treasurer Loftis.

 Senator GARRETT rose to address questions to Treasurer Loftis.

**Motion Adopted**

 Senator MASSEY moved to rise from the Committee of the Whole.

**RECESS**

 At 9:35 P.M., on motion of Senator MASSEY, the Senate receded from business.

 At 9:55 P.M., the Senate resumed.

**NIGHT SESSION**

 The Senate reassembled at 9:55 P.M. and was called to order by the PRESIDENT.

**THE SENATE PROCEEDED TO THE ADJOURNED DEBATE.**

**ADOPTED**

 S. 534 -- Senators Grooms and Goldfinch: A CONCURRENT RESOLUTION REGARDING THE REMOVAL OF AN EXECUTIVE OFFICER ON THE ADDRESS OF TWO-THIRDS OF EACH HOUSE OF THE GENERAL ASSEMBLY PURSUANT TO ARTICLE XV, SECTION 3 OF THE SOUTH CAROLINA CONSTITUTION.

 By motion adopted on April 15, 2025, the Senate proceeded to a consideration of the Resolution, the question being the adoption of the Senate Resolution.

 The "ayes" and "nays" were demanded and taken, resulting as follows:

**Ayes 33; Nays 8**

**AYES**

Adams Alexander Allen

Blackmon Campsen Cash

Chaplin Cromer Davis

Devine Elliott Garrett

Goldfinch Graham Grooms

Hutto Kennedy Kimbrell

Leber Matthews Nutt

Ott Peeler Rankin

Rice Sabb Stubbs

Sutton Tedder Turner

Verdin Walker Young

**Total--33**

**NAYS**

Bennett Climer Corbin

Hembree Martin Massey

Reichenbach Zell

**Total--8**

 The Resolution was adopted.

**FINAL REPORT OF FINDINGS AND RECOMMENDATIONS ON THE $1.8 BILLION DISCREPANCY IN TREASURY BALANCES AND CERTAIN OTHER MATTERS**

**CONSTITUTIONAL SUBCOMMITTEE**

**OF THE SENATE FINANCE COMMITTEE**

Senator Lawrence K. “Larry” Grooms, Chairman Senator Brad Hutto

Senator Tom Young, Jr. Senator Ronnie A. Sabb

Senator Stephen L. Goldfinch Senator Wes Climer

Senator Margie Bright Matthews Senator Rex F. Rice

March 25, 2025

**I. Introduction**

There have been two hundred fifty-one duly elected Constitutional Officers in the State of South Carolina since its formation as a state in 1776. Since the ratification of the second state Constitution, all of those officers have taken a statutory oath, presented below in full.

 *“I do solemnly swear (or affirm) that I am duly qualified, according to the Constitution of this State, to exercise the duties of the office to which I have been elected (or appointed), and that I will to the best of my ability, discharge the duties thereof, and preserve, protect, and defend the Constitution of this State and of the United States. So Help me God.”—Const., Art. III, Sec. 26*

*“That oath of office means more to me than you will ever know.” –State Treasurer Curtis Loftis[[1]](#footnote-1)*

The members of the Constitutional Budget Subcommittee of the South Carolina Senate Finance Committee, like all of our colleagues in the General Assembly, have also taken that same oath. Part of our duty as members of the General Assembly is a continuing and ongoing obligation to periodically review agencies and their responsiveness to the needs of the state's citizens.[[2]](#footnote-2) Since February of 2023, the Subcommittee, vested with the power and authority to do so by the Chairman of the Senate Finance Committee,[[3]](#footnote-3) has been engaged in an investigatory inquiry involving several agencies, constitutional officers, and others who had executive level financial authority and duties in our state. Two of those financial executives have resigned, skilled and seasoned employees have left our state financial agencies, a federal securities investigation has been opened, and national forensic accounting experts from a worldwide firm have been engaged, all in the efforts toward resolution of a multibillion-dollar discrepancy in our state’s financial records. To be sure, much work remains in correcting missteps, but today, the Subcommittee has reached the conclusion of its investigation.

The purpose of this report is twofold: to inform members of the South Carolina Senate of the facts gathered by the members of the Senate Finance Constitutional Subcommittee during this final phase of our investigation into the $1.8 Billion discrepancy in the balances of the State’s Treasury and other related matters, and to make recommendations to the General Assembly and the Governor.

The Subcommittee took seriously the duty to uncover and report the truth about the fund and other highly unusual activities uncovered in the State Treasurer’s Office. Over the course of the last 13 months, when confronted with questions about his actions, the State Treasurer has attacked the members of the Subcommittee and the entirety of the Senate itself. He has smeared Senate staff by casting aspersions on accurate and diligent research and reporting. He has called this investigation bad governance. None of this invective deterred our work. We have found that State Treasurer Curtis Loftis has broken his oath of office in which he committed to discharge the duties of his office, and by doing so has violated the trust of the people – both those who voted for him and those who did not.

**II. Executive Summary**

The Subcommittee’s investigation, informed by the work of AlixPartners and others, found an unexplained and unresolved $1.8 billion in funds under exclusive control of the State Treasurer’s Office. Seven years ago, during a conversion process from one state accounting system to another, a treasury fund was created that eventually grew to the $1.8 billion sum. Financial entry after entry was made with the expectation that subsequent conversion steps would move those entries into their proper accounts in the new system, effectively clearing the fund back to zero. In fact, a complete review of the process by experts revealed that the $1.8 billion error actually was part of a portion of $31 billion of plugged financial transactions indicating a failed Treasury conversion from the Statewide Accounting and Reporting System (STARS) to the South Carolina Enterprise Information System (SCEIS).

Incorrect entries remain on the books today because the State Treasurer failed to maintain the integrity of the State’s banking and investment records. Any suggestion that the State Treasurer did not know about the unresolved differences is implausible, based upon the level of involvement in the conversion process by the State Treasurer’s Office. The State Treasurer failed to take any corrective action even when others saw the issue and flagged the imbalance to him, and he never recognized the significance of the problem.

Since being confronted and asked to explain the unresolved errors, the State Treasurer has consistently misunderstood and misrepresented what the $1.8 billion represents - up to the publication of this report. He repeatedly testified that $1.8 billion was real money that was invested and earned interest, and never amended or appended those statements when offered the opportunity to do so. Incongruously, he also testified that he had no idea a $1.8 billion balance existed in his books and when presented with the experts’ forensic accounting report, he posted on social media that he knew all along there was no real money. He contends that his books are correct and that he is fully exonerated by the forensic accounting report.

Treasurer Loftis has not given the Subcommittee clear answers about the origins and character of the unresolved differences. He has made conflicting and inaccurate statements about the nature and implications of the unresolved differences; and has not been forthcoming with information that State law requires him to provide.

**III. Summary of the Recommendations of the Subcommittee to the General Assembly and the Governor**

First and of paramount importance is the continued coherence of state legislative and executive actions with the ongoing Securities and Exchange Commission Investigation. Members of the Subcommittee commit here to full cooperation if requested and most strongly encourage any and all involved parties to do the same.

Second, the Subcommittee recommends a full and complete correction to our state’s financial records, both to the historical errors that led to the $1.8 billion fund and to the current unbalanced accounts that exist today. Without a full accounting and resolution of where the thousands of entries in that fund originated and correctly belong, we cannot be secure in our knowledge that our state’s financial reporting is completely accurate.

Third, the Subcommittee agrees with the findings and recommendations in the AlixPartners report and urges swift implementation of all of the suggested changes by the impacted agencies, including the State Treasurer’s Office. Chairman Peeler and others introduced legislation to compel progress to that end by the engagement of an independent compliance consultant, and we were pleased to see S. 253 signed into law by the Governor on March 7, 2025.

Fourth, the Subcommittee recommends comprehensive study and review of the State Treasurer’s Office by the other relevant state investigatory bodies: the Inspector General, Legislative Audit Council, and the Oversight Committees of the Senate and the House of Representatives. By copy of this report to same, referrals to those entities shall be deemed made. Full considerations of possible fraud, waste, abuse, mismanagement, misconduct, violations of state or federal law, wrongdoing, inefficient use of resources, and other breaches are beyond the scope of this investigation, but it is imperative that they are accomplished.

Fifth, the Subcommittee recognizes that structural changes to the financial executive officers and offices of our state are needed, and such reforms must be made through legislation and, in some cases, with the consent of our voters where constitutional changes are warranted. In brief, the Subcommittee recommends that the State Treasurer, the Comptroller General, and the State Auditor be state offices that are filled by gubernatorial appointment with the advice and consent of the Senate.

Finally, most significantly, and with great solemnity, the Subcommittee recommends that the current State Treasurer be removed from office pursuant to Article XV, Section 3 of the South Carolina Constitution for willful neglect of multiple statutory duties assigned to him and for other good causes as will be detailed in this report. The Subcommittee declines to ignore an almost decade long problem in the State Treasurer’s Office perpetuated by the failure of Treasurer Loftis to carry out his statutory duties. We tender our final report here not only to provide clarity and conclusion to this multi-year investigation, but also to illuminate the facts that that have led us to this severe recommendation.

**IV. Summary of 2023-2024 Work of the Senate Finance Committee Constitutional Subcommittee**

Prior to the exposition of the recent work and findings regarding the $1.8 Billion in unresolved discrepancies in Fund 30350993, we provide here a summation of the work performed during last year’s legislative session. For comprehensive information, please refer to *Interim Report of Findings and Recommendations on the $1.8 Billion Discrepancy in Treasury Balances and Certain Other Matters* released and published on the Legislature’s website on April 16, 2024.[[4]](#footnote-4)

In a letter dated October 31, 2023,[[5]](#footnote-5) Comptroller General Gaines formally requested that Treasurer Loftis investigate a cash balance recorded in SCEIS Fund 30350993 to facilitate the proper classification or reclassification of the amounts to their appropriate funds and general ledger accounts. Upon receiving a copy of Comptroller General Gaines’s request, staff of the Senate Finance Committee conducted an independent review of the fund and determined that it reflected a balance of approximately $1.8 billion.

Treasurer Loftis responded to this request on November 30, 2023,[[6]](#footnote-6) directing the Office of the Comptroller General (CGO) to provide any findings or concerns related to Fund 30350993. However, his response neither acknowledged nor affirmed the request made by Comptroller General Gaines.

On December 12, 2023[[7]](#footnote-7), Comptroller General Gaines responded, outlining his understanding of the historical use of Fund 30350993 and the role of the Office of the State Treasurer (STO) in managing it. He noted that the fund had initially been used to reconcile accounting discrepancies but was later repurposed as a repository for unreported funds amid system transitions. Comptroller General Gaines further stated that, based on the ZIMRQ300—an investment report produced by the Treasurer’s Office—he understood the fund to be part of the Treasury’s pooled investments. However, he acknowledged that he could not independently verify this information, as the CGO does not have access to investment data. Additionally, he advised that Treasurer Loftis should inform the General Assembly of the fund’s balance, purpose, and treatment, given its status as a Treasury fund.

In response, Treasurer Loftis replied on December 14, 2023[[8]](#footnote-8), inquiring about the recipients of Comptroller General Gaines’s letter.

On December 15, 2023, the STO extended an invitation to Senate Finance Committee staff under the premise of presenting a comprehensive overview of the full cash reconciliation process. Staff understood the meeting to be instructional in nature. In attendance were three members of the Senate Finance staff, Treasurer Loftis, and four members of his leadership team, one of whom participated via teleconference. Contrary to expectations, no reconciliation process was presented during the meeting. Instead, Treasury staff delivered a PowerPoint presentation outlining meetings that took place around the time of the system conversion. Seeking clarity and a pathway toward resolution, Finance Committee staff inquired about Fund 30350993. Treasurer Loftis, however, dismissed the inquiry, asserting that the most prudent course of action would be to disregard the issue and attribute responsibility to former Comptroller General Richard Eckstrom.

Finance Committee staff continued to monitor the issue as the General Assembly convened eminently in January 2024.

On February 1, 2024[[9]](#footnote-9), the Subcommittee sent a letter inquiring about the origin and purpose of Fund 30350993 and whether the STO was in compliance with a provision in the Fiscal Year 2024 Appropriations Act that mandated a reconciliation of all cash and investment balances for the purposes of compiling the State’s Annual Comprehensive Financial Report (ACFR). In his February 8, 2024[[10]](#footnote-10), response, Treasurer Loftis asserted that his office was in full compliance, despite contentions to the contrary by Comptroller General Gaines, and explained that SCEIS Fund 30350993 had been established in 2014 to manage cash transfers during the state’s financial system conversion, maintaining that its $1.8 billion balance had always been accurately recorded in the General Ledger. The Subcommittee, however, deemed his reply vague and incomplete, particularly in light of previous communications from the Comptroller General that contradicted his assertions.

State Auditor George Kennedy subsequently testified on February 15, 2024,[[11]](#footnote-11) that, as a clearing account used solely for cash transfers, SCEIS Fund 30350993 should have a zero balance. He stated that resolving the discrepancy would necessitate a journal entry, supported by historical data to establish fund ownership, and his written recommendations emphasized the need for management to identify agency claims within the General Fund to effect proper reclassification.

In later public statements, including a television interview on February 29, 2024,[[12]](#footnote-12) Treasurer Loftis defended his handling of the fund by emphasizing its investment earnings[[13]](#footnote-13) and contending that the responsibility for resolving the discrepancy rested with either the General Assembly or the CGO.

On March 7, 2024,[[14]](#footnote-14) the Subcommittee wrote Treasurer Loftis again, formally requesting a detailed breakdown of the fund’s ownership by agency. However, Treasurer Loftis’s response on March 14, 2024[[15]](#footnote-15), was again unsatisfactory, and focused on shifting responsibility to the Comptroller General.

On March 25, 2024[[16]](#footnote-16), Treasurer Loftis wrote the Subcommittee asking for a meeting to present the Office’s budget requests for Fiscal Year 2024-2025. The Subcommittee advised him that the hearing was scheduled for April 2, 2024, at which time he should also be prepared to answer questions related to Fund 30350993.

Prior to this hearing on March 28, 2024, Treasurer Loftis appeared on The Charlie James Show on 98.9 WORD radio in the Upstate. During the interview, he noted that he had not been afforded an opportunity to testify under oath regarding his understanding of the $1.8 billion discrepancy, attributing the issue to an uncertainty over fund ownership. He further asserted that determining the ownership of the funds is the responsibility of the CGO rather than that of the STO.

On April 2, 2024, his sworn testimony during the hearing was characterized by misdirection, reluctance to address critical issues, and unprofessional conduct—marked by interruptions, irrelevant answers, and an eventual premature departure from the hearing—which compounded concerns regarding the unresolved $1.8 billion discrepancy in SCEIS Fund 30350993.

The Subcommittee issued an interim report of preliminary findings surrounding the $1.8 billion exception with the following recommendations on April 16, 2024:

1. That the General Assembly enact legislation to ensure the complete independence of the State Auditor by severing his reporting relationship with the State Fiscal Accountability Authority. Although Section 11-7-45 of the South Carolina Code of Laws mandates the auditor’s independence, the Subcommittee believed it necessary to take additional measures to preserve the integrity of the audit process.
2. That the General Assembly appropriate funds for an independent forensic audit of SCEIS Fund 30350993, to be performed by an external firm under the direction of the Department of Administration, with the Office of State Treasurer required to provide full cooperation and unrestricted access to all pertinent records and information.
3. That any funds allocated for the forensic audit—as well as the engagement and oversight of the external auditor—be managed by the Department of Administration, with any expenditures made in support of the forensic audit governed by a plan jointly prepared by the STO and the Department of Administration, subject to prior review and comment by the Joint Bond Review Committee.
4. That the Subcommittee receive weekly progress reports regarding the task force established by Governor McMaster, so that its progress would be diligently monitored.
5. Finally, the Subcommittee recommended that the General Assembly advance legislation proposing a constitutional amendment, to be submitted to the voters, that would authorize the Governor to appoint the State Treasurer.

All other findings, conclusions, and recommendations of the interim report, none of which have been subsequently refuted in fact or in substance, are herein incorporated by reference.

**V. Governor Henry McMaster’s Working Group Efforts**

Working groups, comprising key participants from STO, CGO, Department of Administration (DOA), Office of the State Auditor (OSA), Office of the Governor, and the Attorney General’s Office convened on a weekly basis to facilitate the preparation for the forensic accounting review. These meetings were conducted to enhance understanding of the objectives and scope of responsibilities of each respective office. In accordance with Director Adams’s directive, each agency was instructed to compile and submit any related data to Fund 30350993 for inclusion in a centralized data lake, thereby ensuring that the forensic accounting firm had access to information, and could commence its work without unnecessary delay.

**VI. Engagement of AlixPartners**

In order to fully excavate its findings regarding the unexplained balance, the recommendations in the Subcommittee’s 2024 Interim Report included that funding should be appropriated for an independent forensic accounting review to investigate the $1.8 billion balance in SCEIS Fund 30350993. The Subcommittee designated DOA to guide the review and take responsibility for engaging an appropriate firm. The Subcommittee further directed the STO to cooperate with the forensic accountants and provide full access to all records and information in its possession. This recommendation was fully funded in the budget and effectuated by Proviso 93.19[[17]](#footnote-17) in the General Appropriations Act for Fiscal Year 2024-25 which delineated the parameters of the forensic accounting project. In part, the Proviso described the scope of review to:

“include, but not be limited to, all cash and investments held in the State Treasury and the reconciliation and balancing of all such cash and investments with any unreconciled fund managed by the relevant state agencies within the South Carolina Enterprise Information System (SCEIS) to the Statewide Accounting and Reporting System (STARS) and, to the extent possible as determined by the engaged accounting firm, to such external statements and records of financial institutions, investment firms, trustees, or any other third-party holding cash and investments on behalf of the State. In addition to the foregoing, the review must include findings and recommendations for any corrective entries and actions necessary, along with recommendations for procedures and controls to be implemented in the future.”

The DOA used a competitive procurement process to engage a forensic accounting firm to complete the project. A request for proposal (RFP) was posted on June 24, 2024, and responses from ten firms were received. Following reviews of the proposals and interviews of the prospective firms, a notice of award to AlixPartners LLP was published on July 17, 2024, and AlixPartners began work on July 18, 2024. This large consulting firm is comprised of highly experienced forensic accounting and data analytics teams and has on staff the largest team of former Securities and Exchange Commission enforcement accountants.[[18]](#footnote-18)

Of particular note as the Subcommittee reviews the precipitating events of our findings and recommendations presented today, the STO was also provided $1.2 million in funding in the same budget via Proviso 117.186[[19]](#footnote-19). That funding could be drawn down upon development of an implementation plan for the monies in coordination with DOA and, once approved by the Joint Bond Review Committee (JBRC), could be utilized to comply with the forensic accounting review as needed. The state budget containing these resources was ratified by the General Assembly on June 26, 2024. On January 6, 2025,[[20]](#footnote-20)the STO submitted a two-paragraph letter to JBRC requesting $450,000 for software for financial reporting, audit, and risk and for licensing costs and training on the security software, which was not a request made in compliance with the parameters of the proviso. JBRC staff requested additional information for the Committee to use in approval but eventually STO simply asked that the item be removed from the agenda.[[21]](#footnote-21) Later, Treasurer Loftis would cite this $1.2 million funding as having been appropriated to the office when questioned about the use of a crisis communications consultant during the pendency of the accounting review.[[22]](#footnote-22) By way of clarification, the funds were not appropriated, nor were they drawn down by the STO for their intended purposes. The request came after the forensic accounting review had already been completed. Those funds were later redirected, following the release of the AlixPartners Report.

**VII. Summary of 2025 Work of the Senate Finance Committee Constitutional Subcommittee**

The following section provides a chronological account of the recent efforts undertaken by the Constitutional Subcommittee of the Senate Finance Committee in its investigation into the $1.8 billion in unresolved discrepancies within Fund 30350993. This section summarizes the events, detailing particular instances of paramount import or those that have yielded information to forthcoming Subcommittee findings that are detailed in this report, and annotates in the form of footnotes any associated evidentiary exhibits or points of clarification.

***January 2025 – AlixPartners Report Released and Presented Before the Full Finance Committee***

AlixPartners completed their forensic accounting review as delineated in their contract in late December, submitted their final report to the Governor, General Assembly, and to the Working Group, and subsequently posted the report to DOA’s website.[[23]](#footnote-23) AlixPartners was successful in clarifying some of the thorniest issues that had challenged the research and resolution of the discrepancy by tracing the conversion from the STARS system to the SCEIS system, ultimately concluding that $1.6 billion of the fund was the result of incorrect entries. The remaining amount was identified in part as agency funds that had already been spent but not cleared from the fund, and other unidentifiable and unclaimed monies.

AlixPartners stated that as early as 2016, both the CGO and the STO were aware of issues with the fund as it related to financial reporting, and that by 2017, both knew that there was a remaining balance in the fund, at which time the STO began attempting to clear the balance.[[24]](#footnote-24) However, the report states that ultimately “no effort was made at that time to determine to whom the resulting liability was owed.”[[25]](#footnote-25) AlixPartners details attempts to achieve a zero balance, which would have represented an accurate and successful conversion, but notes that “the STO’s conversion did not go as intended and Fund 30350993 ultimately accumulated (and still reflects) the $1.8 Billion cash balance.”[[26]](#footnote-26)

AlixPartners made twenty-five recommendations,[[27]](#footnote-27) the first of which has already been approved and funded for implementation: the hiring of an independent consultant to assess and oversee compliance with recommendations included in its report.

AlixPartners also noted the need for independence of the OSA, citing an inherent conflict within the state’s current structure, under which the State Auditor reports to the Comptroller General and State Treasurer. They also observe that the current annual audit process under which the State Auditor co-signs with an external audit firm is uncommon and recommend both ensuring that the current process is operating as intended and considering changes as needed.

Importantly, AlixPartners notes the lack of cooperation and communication between the CGO and the STO and makes four recommendations specifically to address that dysfunctional relationship.

AlixPartners made further recommendations to improve the functionality and capability of the CGO so that it can better carry out the accounting responsibilities of that office, including requisite resources needed to accomplish that goal.

AlixPartners made a number of recommendations about the compilation of the state’s future ACFRs, as well as recommendations on how corrections should be made to prior ACFRs.

Finally, AlixPartners suggests better utilization of SCEIS, the state’s current accounting system, to maintain workflow protocols and ensure that both the Treasurer and Comptroller General are using the same methods for configuring entries and tracking cash, so that another error of this sort will not occur again.

 Conspicuously, many of these recommendations do not require legislation but do require serious and sincere conversations between our state’s banker and our state’s accountant to ensure that South Carolinians can trust that their money is safeguarded, invested, and properly accounted for.

Following the release of the report, Chairman Peeler asked AlixPartners present their findings in person to the Full Senate Finance Committee on January 21, 2025.

***January 29, 2025 – Constitutional Subcommittee Hearing of the House Ways and Means Committee***

On January 29, 2025, the Constitutional Subcommittee of the House Ways & Means Committee heard presentations from the OSA, the CGO, and the STO. Unexpectedly, an important issue surfaced during Treasurer Loftis’s testimony.

At that appearance, Treasurer Loftis stated among other things that “we” are displaying a level of bad governance that has never been shown before.[[28]](#footnote-28) He further stated that no state has ever in the time of an SEC investigation disclosed it, put it on the front page of the paper, and made allegation after allegation after allegation. Then, he stated that we are the only state in the Union who can’t go out for credit, not because of the entry, but because of bad governance. He stated we now have hospitals being built with one-year money, not because of the entry, but because of the resulting display of ”bad governance.“[[29]](#footnote-29) He stated he had to go to the bank this year and borrow $487 million in one-year money so that dormitories and hospitals can be built, one year at a time with no interest rate protection, and not because of the entry, but because of what’s happened in the Senate to put out this narrative.[[30]](#footnote-30)

***February 18, 2025 – Constitutional Subcommittee Hearing of the Senate Finance Committee***

On February 18, 2025, the Constitutional Subcommittee of the Senate Finance Committee heard from DOA, STO, and CGO at the request of Subcommittee Chairman Grooms. With the exception of the STO, all agencies requested by the Subcommittee to appear at this meeting responded promptly, confirming their availability at the time designated. Initially, leadership from the STO informed staff that Treasurer Loftis would attend the hearing. However, they later indicated that he would be unavailable due to a “long-planned trip” and that six members of his staff would appear in his stead.[[31]](#footnote-31) Shortly before the Subcommittee hearing, staff became aware through a social media post that the Treasurer’s trip involved traveling the Appalachian Trail in a recreational vehicle.

The Director of the DOA provided sworn testimony before the Subcommittee and was asked whether she concurred with the recommendations and findings of the AlixPartners review, as well as the contents of its report. She responded promptly and unequivocally in the affirmative.[[32]](#footnote-32) Subcommittee members further inquired about the RFP process used to engage AlixPartners, the firm’s findings regarding the $1.8 billion in unresolved discrepancies within Fund 30350993, and implementation of recommendations. Notably, Chairman Grooms posed a question to the Director regarding her expectations for staff accountability, asking whether she would anticipate an employee bringing a matter of similar magnitude to her attention should a hypothetical problem of equivalent caliber arise under her oversight. The Director affirmed that, provided the employee fully understood the significance, implications, and ramifications of the issue, she would expect them to escalate it to her attention.[[33]](#footnote-33)

Subsequently, the Chief of Staff for the STO, and one of the Deputy State Treasurers, testified under oath in place of Treasurer Loftis. In contrast to the unequivocal responses provided by Director of the DOA, and later by Acting State Auditor Sue Moss and Comptroller General Gaines, the STO Chief of Staff was unable to provide a definitive and direct statement as to whether the STO agreed with the findings and recommendations of the AlixPartners Review and Report.

When asked by Chairman Grooms whether she agreed with the findings of the AlixPartners Report, the STO Chief of Staff stated that the STO “accepts the report.”[[34]](#footnote-34)

When pressed to clarify the distinction between agreeing with the report and merely accepting it, she responded that the office was “definitely committed to implementing the recommendations.”[[35]](#footnote-35) In an effort to obtain a more conclusive response, Chairman Grooms reiterated the question. The STO Chief of Staff then stated that the office “believed there could be some clarification”[[36]](#footnote-36) regarding the individuals responsible for converting the appropriations that resulted in the balance in Fund 30350993.

The STO Chief of Staff asserted that the CGO was responsible for erroneously converting funds assigned to ACFR business areas, an action that the AlixPartners Report found to have contributed to $1.6 billion of the $1.8 billion balance in Fund 30350993.[[37]](#footnote-37) When questioned about the source of this information, she stated that it was clarified by AlixPartners.[[38]](#footnote-38) However, when asked why this specific information was not documented in the written report by AlixPartners themselves, she was unable to provide a definitive explanation, instead indicating that it had been conveyed to her by AlixPartners during a Microsoft Teams meeting.[[39]](#footnote-39) Subcommittee members further inquired whether minutes of this meeting existed or if the meeting had been recorded. The STO Chief of Staff stated that no such documentation or recording was readily available.[[40]](#footnote-40)

Following the Subcommittee hearing, Subcommittee staff contacted AlixPartners to verify the accuracy of the STO Chief of Staff’s testimony and to confirm whether the clarification she referenced had been substantiated. In response, AlixPartners provided a written statement, which read:

"While we informed the State Treasurer’s Office (STO) during the February 7th call that the Comptroller General’s Office (CGO) was involved in certain entries that transferred the $1.6 billion to Fund 30350993, the CGO was not solely responsible. In fact, the usernames attributed to these entries in SCEIS (a system to which both the STO and CGO have access) are not directly associated with any CGO employee. The explanation we provided on February 7th is consistent with our report."[[41]](#footnote-41)

This response indicates that while the CGO played a role in the transfer, it was not exclusively responsible, nor was there evidence to support that any employee of the CGO processed the transfers.

The STO Chief of Staff repeatedly testified that there were no audit findings related to the conversion entries or errors specific to Fund 30350993.[[42]](#footnote-42) However, these statements are demonstrably misleading. As will be evidenced in the subsequent sections of this report, the status of the Cash & Investments conversion was identified as a material weakness[[43]](#footnote-43) in the Fiscal Year 2016 Independent Auditors’ Report on Internal Control,[[44]](#footnote-44) and as a significant deficiency in the Fiscal Year 2017 Independent Auditors’ Report on Internal Control.[[45]](#footnote-45) These findings directly contradict the Chief of Staff’s assertions and underscore the gravity of the issues associated with Fund 30350993.

The STO Chief of Staff and the Deputy State Treasurer repeatedly asserted that AlixPartners had confirmed the cash and investments of the Treasury were in balance with the banks.[[46]](#footnote-46) However, this assertion is, at best, delusory. AlixPartners explicitly stated that the unidentified exceptions from the conversion, which are held in Fund 30350993, must be accounted for in order to reconcile the balances with the banks. This issue will be further examined and substantiated in the “Findings” section of this report.

One of the most notable aspects of this Subcommittee hearing was the discussion regarding the STO’s engagement of an Upstate-based public relations firm that specializes in Crisis Communication.[[47]](#footnote-47) The nature and substance of Treasurer Loftis‘s public statements—both on social media and in the press—regarding the $1.8 billion in unresolved discrepancies within Fund 30350993 prompted Subcommittee staff to investigate whether the STO had retained external public relations services.

During the hearing, the STO Chief of Staff was presented with a collection of invoices from the public relations firm,[[48]](#footnote-48) totaling $51,221.50 with $47,782.50 dedicated specifically towards “Crisis Communications.” When questioned about the purpose of contracting this firm and whether public funds were used for payment, the Chief of Staff characterized the matter as a “very important issue”[[49]](#footnote-49) and stated that “it would not be unusual to seek guidance on communication concerning cash position and various other matters.”[[50]](#footnote-50) When further pressed on whether the firm had provided her with preparation or coaching for the Subcommittee hearing, she responded affirmatively.[[51]](#footnote-51)

After the Subcommittee concluded with the testimony and questioning of the two STO staff members, Comptroller General Brian Gaines presented briefly and clarified that the CGO had no role in the erroneous conversion of the ACFR business areas and made no conversion entries.[[52]](#footnote-52) This testimony is borne out and sustained by written records, making the Comptroller General’s role in the conversion abundantly clear. Due to the extensive length of the STO Chief of Staff’s testimony, and the volume of questions the members had for her, Comptroller General Gaines was invited to return at a later date to complete his testimony.

The Subcommittee also wishes to formally note that the documentation of STO’s meeting with AlixPartners has not been provided to the Subcommittee as of the publication of this report.

***February 20, 2025 – Constitutional Subcommittee Hearing of the Senate Finance Committee***

On February 20, 2025, the Constitutional Subcommittee held another hearing to continue the testimony of Comptroller General Brian Gaines and hear from Acting State Auditor Sue Moss. Initially, the Subcommittee was led to believe that Treasurer Loftis would be present for this meeting, as he had publicly stated to members of the news media that he intended to attend. However, the Subcommittee was later informed that he remained out of town and would not return until the weekend.

Chairman Grooms first inquired whether Acting Auditor Moss concurred with the findings and recommendations outlined in the AlixPartners Report. Acting Auditor Moss unequivocally affirmed her agreement.[[53]](#footnote-53)

When questioned regarding the OSA’s involvement in the AlixPartners review, she stated that the Office had participated in two meetings with AlixPartners.[[54]](#footnote-54) Additionally, she informed the Subcommittee that the current state contract with CliftonLarsonAllen would conclude following the issuance of this year’s Annual Comprehensive Financial Report (ACFR), marking the end of the firm’s twenty-year tenure as the state’s independent external auditor.[[55]](#footnote-55)

Acting Auditor Moss further recommended revising the selection process for hiring future State Auditors, proposing that appointments be made by the Governor, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee.[[56]](#footnote-56)

Thereafter, Comptroller General Gaines resumed his testimony under oath before the Subcommittee. Before continuing his testimony from the previous hearing, Chairman Grooms inquired whether he concurred with the findings and recommendations of the AlixPartners Report. Comptroller General Gaines also responded unequivocally in the affirmative, expressing full agreement with all findings and recommendations.[[57]](#footnote-57)

Comptroller General Gaines then provided the Subcommittee with educational information regarding the definition of key terms and concepts pertaining to the State’s Finances, including particularly the terms “fund,” “types of funds,” “business area,” and “ACFR business area” before responding to specific assertions made in the prior hearing by staff of the STO.[[58]](#footnote-58)

Comptroller General Gaines refuted claims by the STO under oath that the CGO was responsible for the erroneous entries identified in the AlixPartners Report. Instead, he asserted that the STO’s conversion team mistakenly included ACFR Business Areas in the state’s banking and investment conversion process. He further testified that this misclassification artificially inflated the balance in Fund 30350993, which prevented the expected reconciliation of the Conversion Account. He stated that the proposed resolution of this error, as validated by AlixPartners, involves reversing these conversion entries, which would reduce the balance in Fund 30350993 by $1.6 billion.[[59]](#footnote-59)

Comptroller General Gaines subsequently provided clarification on Treasury staff’s assertion that their belief that the balance was fungible and tangible was based in reliance on his letters.

Comptroller General Gaines testified that he believed that the $1.8 billion in Fund 30350993 was part of the General Fund balance, a position shared by the State Auditor and CliftonLarsonAllen. However, further investigation revealed that this balance was linked to negative cash entries in ACFR Business Areas, a fact that was not understood at the time of initial correspondence. Comptroller General Gaines emphasized that the STO, as the state’s banking authority, should have independently verified whether the funds were actual cash rather than relying on his Office for this determination.[[60]](#footnote-60)[[61]](#footnote-61)

Regarding the STO Chief of Staff’s prior testimony that Fund 30350993 was under the direction of the CGO, Comptroller General Gaines clarified that Fund 30350993 is a Treasury Fund under the exclusive control of the Treasury, and that no other agency has the authority to transact within a Treasury Fund.[[62]](#footnote-62) Notwithstanding, while the CGO indeed has the system access to make adjustments for reporting purposes, it does not engage in making transactions affecting an agency’s official books, so that integrity of agency records and separation of duties are maintained.[[63]](#footnote-63)

Comptroller General Gaines expressed concern over the STO’s assertion that “we tie to the bank and not by fund,” calling this approach misleading. He emphasized that, like a commercial bank, the Treasury must track individual depositor - or funds - separately to ensure accurate financial reporting and allocation of investment interest.[[64]](#footnote-64)

The sworn testimony of Comptroller General Gaines emphasizes that the erroneous conversion entries were the result of the STO’s misclassification of ACFR Business Areas as cash transactions. Additionally, Comptroller General Gaines raised concerns over the STO’s approach to cash accounting and its assertions regarding Fund 30350993. Comptroller General Gaines maintains that the STO, as the state’s banking authority, bears responsibility for ensuring accurate cash reporting and reconciliation.

***Document Received from the STO on February 27, 2025***

On the morning of February 27, 2025, Subcommittee staff and members of the legislature were sent a 54-page document entitled *Overview of Issues Surrounding SCEIS Fund 30350993 and Other Allegations,* with an issuance date marked February 26, 2025. While the Subcommittee had genuine hopes that the document would be explanatory and promote a productive subcommittee hearing, the document is riddled with a myriad of inaccuracies and false statements too numerous to warrant refuting them point-by-point within this report; however, the Subcommittee will discuss points from the document that it finds most egregious. Notably during the meeting, Treasurer Loftis exhibited hesitancy to attest to the accuracy of the document as part of his sworn testimony.

Among the many unfounded declarations contained within this document, the notion that Subcommittee members and staff provided information that was not factual and suppressed documents is among the most patent. The document ineptly asserts that Senator Goldfinch lied during the April 2, 2024,[[65]](#footnote-65) hearing in which he referenced the inclusion of Federal funds reflected within Fund 30350993, which indisputably includes in General Ledger 1010339900 UC TRUST – FEDERAL an unresolved difference of $533,584,001.21.[[66]](#footnote-66) At the time of the Treasurer’s testimony on April 2, 2024, Treasurer Loftis had asserted that the funds were tangible and invested.[[67]](#footnote-67) If that was the case, the unresolved difference in the UC Trust would have been subject to earnings, which potentially would be rebatable to the federal government in accordance with the Cash Management Improvement Act.[[68]](#footnote-68) Accordingly, Senator Goldfinch properly questioned Treasurer Loftis as to the treatment of the interest of those funds given that Treasurer Loftis himself testified that they were pooled, invested, and had earned $225 million in investment interest. The State Auditor’s letter to Chairman Grooms dated February 24, 2024, further reinforces this concern, as follows: “Accounting for cash assigned to these funds is managed at an agency level. In addition to requirements that cash be used for a specific purpose, there are usually reporting requirements imposed by State or Federal governments or by other granting entities regarding the status of unspent funds.”[[69]](#footnote-69)

In addition, the document inexpertly accuses Senator McElveen of compelling the STO to post sensitive financial information to the world wide web, and further accused staff of splicing a video clip utilized in the February 20, 2025 hearing excluding this directive.[[70]](#footnote-70) Verily, it was Treasurer Loftis’s document that excluded the dialogue indicating that Senator McElveen was not directing the Treasurer to post information that would leave the State vulnerable to cyber-attacks.[[71]](#footnote-71)&[[72]](#footnote-72)

The document also repeatedly attempted to make the argument that there is no indication that the records of the STO are inaccurate.[[73]](#footnote-73) The Subcommittee rejects this argument. The very fact that a fund containing $1.8 billion in conversion entry errors is required to balance the state’s banking records back to the bank, refutes the notion that STO’s bank and investment records are accurate.

Accordingly, the existence of $31B of plugged transactions among the bank general ledger accounts strongly disputes this assertion, and the Alix Partners report so states at p. 49 as follows:

“As of 2022, the $1.8 Billion balance is composed of: (1) balances recorded related to 11 bank accounts (with a total balance of $31.0 billion); and (2) the ‘splitter’ balance in Fund 30350993 (with a balance of negative $29.1 billion). We have confirmed that, in each instance, SCEIS cannot be reconciled to the bank statements for those 11 banks without including the cash in Fund 30350993.”[[74]](#footnote-74)

The $31 billion referenced in the AlixPartners Report is the direct result of the failed conversion, which will be discussed subsequently.

The Subcommittee equally rejects the insistence that the STO has no culpability in the inception, formation, and evolution of the $1.8 billion in treasury fund 30350993. As will be covered later in the “Findings” section of this report, Fund 30350993 was established as a clearing fund and is squarely, exclusively utilized by the STO. The Subcommittee concludes the document’s assertion results from either an improper reading of the AlixPartners report, or yet another attempt to misdirect and shift blame.

The AlixPartners report does not state that the CGO incorrectly recorded the balances to Fund 30350993 during Phase 2 of the bank conversion; the report states that “$1.6 billion … is attributed to balances in certain ACFR-Only business areas that were incorrectly recorded to Fund 30350993 during Phase 2 of the bank conversion.”[[75]](#footnote-75) The Subcommittee sought clarification from AlixPartners regarding this question following the testimony of the STO Chief of Staff: “While we informed the STO in the February 7th call that the CGO was involved in certain entries that transferred the $1.6 billion to fund 30350993, the CGO was not solely responsible. In fact, the usernames attributed to these entries in SCEIS (to which both the STO and CGO have access) are not directly associated with any CGO employee.”[[76]](#footnote-76) To be sure, but for two transactions made by staff of the CGO in 2023 testing for resolution of the conversion error (in which the test was not successful), and over 7,600 entries made by consultants assisting with the conversion, 23,342 entries to Fund 30350993 were made solely by staff of the STO.[[77]](#footnote-77) The STO has proffered no evidence or proof otherwise.

Finally, the Subcommittee denies entirely the pervasive theme through the document as well as Treasurer Loftis’s overarching narrative that the investigation and its associated conduct is dangerous to the State’s interests. The Subcommittee’s position has historically been to exercise oversight publicly, as ignoring the situation or failing to investigate altogether could further harm the State in light of the SEC investigation. Once again, this strikes the Subcommittee as another attempt at obfuscation by the Treasurer.

The document has no salutary purpose to the unresolved issues at hand; neither recommendations on how best to rectify errors, nor resolution of still unsolved conflicts, were presented therein. In the relatively few instances that undistorted facts were presented within the Treasurer’s document, they did not present new knowledge or instructive perspective on any events heretofore not known. Instead, the document appears to be yet another attempt at deflection, misdirecting the public away from previous findings and determinations, including those reinforced by AlixPartners included in their January 2025 report.

Reinforcing the seemingly casual relationship of the author(s) with accuracy, the Cover Disclaimer states: “The release of this document and its exhibits shall not constitute or in any way imply a waiver of any legal privilege or confidentiality regarding any materials or communications referenced herein. This document recounts and interprets events as they are presently understood based on the information available at the time of release. In the event that new information becomes available, these understandings and interpretations are subject to change, in which case, the issuers of this document assume no continuing duty to revise or amend it.”[[78]](#footnote-78)

***February 27, 2025 – Constitutional Subcommittee Hearing of the Senate Finance Committee***

Initially scheduled for February 25, 2025, the Subcommittee accommodated the STO’s request for additional time for preparation and rescheduled the Treasurer’s appearance for February 27th. At the meeting, Subcommittee members also revisited with Treasurer Loftis their conclusions regarding the $1.8 billion in unresolved differences in its review of the AlixPartners report.

Treasurer Loftis testified that he accepted the findings of the AlixPartners report and emphasized his resolve to implement its recommendations, stating that he was "committed to being part of the solution."[[79]](#footnote-79) Nonetheless, he consistently evaded any acknowledgment of responsibility or culpability for the actions that resulted in the $1.8 billion in unresolved discrepancies in Fund 30350993. In response to inquiries from Chairman Grooms and Senator Goldfinch regarding whether he had engaged in any wrongdoing, he responded evasively by challenging them to define the concepts of right and wrong.[[80]](#footnote-80)

Subsequently, Senator Goldfinch inquired whether Treasurer Loftis could affirm that the document he had submitted to the Subcommittee earlier that morning was true and accurate. In response, Treasurer Loftis appeared uncertain, stating that he had never previously sworn to the accuracy of a document.[[81]](#footnote-81) When pressed further, he ultimately affirmed under oath that, to the best of his knowledge, the document was true and accurate, though he acknowledged that he had not personally reviewed its contents.[[82]](#footnote-82)

Throughout the duration of the Subcommittee hearing, Treasurer Loftis offered contradictory testimony regarding the classification of Fund 30350993, despite the findings of the AlixPartners report, and appeared to lack the requisite command over subject matter that the Subcommittee would deem minimally sufficient. He contended that he had always maintained that the fund in question could not contain actual monetary assets, attributing any apparent misunderstanding of his narrative to the Subcommittee’s conflation of the terms “fund” and “account.”[[83]](#footnote-83) Moreover, under oath, he asserted that his belief in the tangible and fungible nature of Fund 30350993 was solely based in reliance on affirmations by Comptroller General Gaines and former State Auditor Kennedy, a position that directly contradicted his earlier testimony.[[84]](#footnote-84)

During his sworn testimony, Treasurer Loftis provided inconsistent and contradictory definitions of Fund 30350993, at times offering mutually exclusive or factually incorrect descriptions. On one occasion, he asserted that the $1.8 billion existed yet paradoxically claimed that it “didn’t exist there.”[[85]](#footnote-85) The AlixPartners report conclusively demonstrated that $1.6 billion of the $1.8 billion cannot logically represent actual funds. Moreover, when attempting to justify his April 2024 statement that the $1.8 billion had generated $225 million in interest, he maintained that Fund 30350993 “was represented in that.”[[86]](#footnote-86) When questioned about his assertion that he bore no responsibility for Fund 30350993 despite its classification as a Treasury fund, he explained that “it sits in the Treasury because there are some abandoned,[[87]](#footnote-87) like the Capital Reserve Fund, the Contingency Reserve Fund,” and “Well, it's a fund attached to our office, but we don't have budgetary authority over it. So, it's like any other fund.”[[88]](#footnote-88) In reality, Fund 30350993 neither possesses designated budgetary assignments nor holds actual cash; it is not abandoned, as it is routinely used to force balance back to the bank statements. Nor is it comparable to the Capital Reserve and Contingency Reserve Funds, as it does not contain actual cash.

Similarly, before responding to most of the Subcommittee’s inquiries, Treasurer Loftis felt compelled to consult with his legal counsel or Chief of Staff, at times reading aloud prepared statements. Phrases such as “I’m trying to figure out how to say this” were frequently interjected throughout his testimony,[[89]](#footnote-89) further reinforcing the Subcommittee’s impression that he either lacks a comprehensive command of the subject matter or is insufficiently engaged in the core functions of his office. It is noteworthy that complete understanding and transparency should not require extensive deliberation prior to articulation. The Subcommittee noted that Treasurer Loftis appeared to rely on his counsel to cultivate control of his temperament, prompting counsel to pass notes, including one that said simply, in large print: “Calm!”

Subcommittee members also revisited the actions threatened on April 2, 2024, regarding the posting of sensitive financial information of the state, this time directly with the Treasurer himself.

Treasurer Loftis testified under oath that he never intended to publish sensitive financial information electronically, going so far as to categorize the Subcommittee’s line of questioning surrounding this matter as “sophomoric.”[[90]](#footnote-90) Notwithstanding, Treasurer Loftis’s adamancy and delivery during his April 2024 testimony certainly left an indication he was serious in his threats, leading the Subcommittee to believe that he either lied under oath, or intended to mislead the subcommittee or both. The record is clear on this topic.

Furthermore, Treasurer Loftis sent the Subcommittee a letter advising that he would publish the information electronically after notifying the DOA on April 4, 2024.[[91]](#footnote-91) However, when questioned about the letter during testimony, he suggested that the Subcommittee fabricated the letter and that it was never sent. Instead, he referred to a second letter that was sent that same day, stating that its contents clarified that there was no intention of publishing sensitive financial information and that the Subcommittee didn’t want that letter to be produced[[92]](#footnote-92) Despite testimony to the contrary by Treasurer Loftis and the STO Chief of Staff the week prior, Subcommittee Staff was never in receipt of that letter. Upon further research, it was determined that the second letter was sent twice: once to Chairman Grooms, and then again to the rest of the Subcommittee members one hour and fifty minutes after the letter indicating intent to publish sensitive information was sent, copying members of Treasury staff.[[93]](#footnote-93) At the hour the second letter was sent, the Subcommittee was taking steps to seek advice from the DOA and other state officials to prevent Treasurer Loftis from irrevocably damaging the financial interests of the state through a deliberate act of protest, retaliation, and exceptionally poor judgment. In any case, the subject matter of the second letter detailed clarifications Treasurer Loftis wanted to provide the Subcommittee after reviewing his own testimony, and did not unambiguously indicate that posting sensitive information would be in permanent restraint.[[94]](#footnote-94)

In addition, the Subcommittee questioned the Treasurer about his House Subcommittee testimony on January 21, 2025, concerning his decision not to issue long-term debt, and particularly whether or not he had notified the SFAA and JBRC about the decision. The Treasurer testified that the STO attempted to notify SFAA by submitting an agenda item for the February 4, 2025, SFAA meeting, but members declined to have a discussion; rather his staff and disclosure counsel met with staff of the Governor’s Office, the STO, and staff from the House and Seante to inform them of these issues.[[95]](#footnote-95)

***Actions Following the February 27, 2025 Meeting Regarding Bond Disclosure***

Following the Subcommittee meeting, on February 27, 2025, STO staff provided information for the meeting conducted with SFAA liaisons, and an item draft represented as having been discussed at liaison agenda review.[[96]](#footnote-96) Thereafter, on February 28, 2025, STO staff clarified that the item draft represented as having been discussed at liaison agenda review was still an internal draft and had not been provided to SFAA, or SFAA members or liaisons.[[97]](#footnote-97)

By letter dated March 3, 2025,[[98]](#footnote-98) the Treasurer informed the Senate Subcommittee among other things that he had requested there be an agenda item added to the February 2025 SFAA meeting to receive legal advice from the state’s disclosure counsel; that the draft agenda included the item; and that against the request of his office, the item was not included on the final agenda. He further stated that the STO arranged the January 29, 2025 meeting whereby the SFAA liaisons and attorneys could discuss this matter with the state’s disclosure counsel.

The letter also states that two short-term financings were undertaken last year, one of which was issued in May 2024, and the other of which cannot be determined since the Treasurer’s letter did not include the details of that transaction.[[99]](#footnote-99)

***S. 253, Joint Resolution on Audit Support is signed into law by the Governor.***

In the immediate days after the issuance of the AlixPartners report, the Senate Finance Committee drafted legislation to compel action on the AlixPartners Report and on January 21, 2025, introduced S. 253.[[100]](#footnote-100) This Joint Resolution directs funding to the DOA for the purpose of hiring an independent compliance consultant to assess and oversee compliance with recommendations in the AlixPartners forensic accounting report and with recommendations in other relevant studies completed in Fiscal Years 2023-2024 and 2024-2025. The Joint Resolution requires the STO, the CGO, and the OSA to immediately begin implementation of the report’s recommendations that do not require statutory changes in coordination with and oversight of the DOA. The STO, the CGO, and the OSA are further required to provide monthly reports on the status of implementation to the Governor, the President of the Senate, the Chairman of the Senate Finance Committee, the Speaker of the House of Representatives, and the Chairman of the House Ways and Means Committee.

The Subcommittee agrees with the Report’s Recommendations and believes this is a significant step to ensure compliance via the engagement of an independent compliance monitor to guide the work. It is also the belief and hope of the Subcommittee members that this step demonstrates a commitment to setting our state’s financial records right.

***Letter Provided to Subcommittee on March 10, 2025***

Treasurer Loftis submitted formal written clarification regarding his sworn testimony from over a week prior, as well as matters related to SCEIS Fund 30350993.[[101]](#footnote-101) He asserted that any inconsistencies between his testimony and the STO document, submitted to the Subcommittee on February 27, 2025, should be reconciled in favor of the document itself, which he characterized as evidence-based and reflective of the STO’s full comprehension of the issue.

Treasurer Loftis reaffirmed the testimony provided by both himself and his Chief of Staff before the Subcommittee regarding the responsibility for the erroneous conversion and recording of ACFR business areas into SCEIS Fund 30350993. He reiterated that his statements concerning the fungibility of the $1.8 billion balance within the fund were made in good faith, based on information conveyed to him by other officials. Furthermore, he expressed concern that his explanations were not duly considered by certain members of the Subcommittee, characterizing their reception as having fallen on “deaf ears."

While the Subcommittee acknowledges and appreciates the correspondence submitted by Treasurer Loftis, the contents therein fail to substantiate any material deviation from the Subcommittee’s existing understanding of the matter—an understanding firmly grounded in documentary evidence and verifiable facts.

The letter concluded with responses to inquiries posed by Senators during the February 18 and February 27 hearings, addressing a range of topics, including Treasurer Loftis’s participation in work group meetings,[[102]](#footnote-102)AlixPartners meetings,[[103]](#footnote-103)allocations for the salaries of STO staff,[[104]](#footnote-104)&[[105]](#footnote-105) and matters pertaining to the utilization of the SCEIS Oversight Committee.[[106]](#footnote-106) Additionally, the correspondence included a compilation of letters, notably the second clarifying letter issued by the State Treasurer less than two hours after his initial communication, in which he alluded to the potential disclosure of sensitive financial information. The Subcommittee has previously addressed this matter within the body of this report.

***Letter Provided to Subcommittee on March 11, 2025***

The Subcommittee received correspondence from the STO Chief of Staff serving as a follow-up to her testimony delivered on February 18, 2025.[[107]](#footnote-107) In her letter, the Chief of Staff emphasized that in any instance where her testimony may have diverged from the STO’s official report submitted on February 27, 2025, the Subcommittee should defer to the contents of that document as the authoritative account.

Furthermore, she provided clarification regarding statements she made about the responsibility for the erroneous conversion of the ACFR business areas within SCEIS. She confirmed that AlixPartners orally conveyed to her during a meeting on February 7, 2025, that the CGO bore sole responsibility for this misclassification. Additionally, the STO Chief of Staff specified that the language she referenced during her testimony was sourced directly from page 10 of the AlixPartners Report.

The Subcommittee acknowledges and appreciates the correspondence submitted by the STO Chief of Staff. However, the information provided does not present any substantive divergence from the Subcommittee’s established understanding of the matter, which remains firmly anchored in documented evidence and independently verifiable facts.

***March 11, 2025 – Constitutional Subcommittee Hearing of the Senate Finance Committee***

In response to prior testimony and documentation provided by the STO regarding issues surrounding bond issuance and its critiques of the AlixPartners Report, the Constitutional Subcommittee convened an additional hearing to provide the State Fiscal Accountability Authority (SFAA) and representatives from AlixPartners an opportunity to present their responses and address the concerns raised.

The Subcommittee requested information from SFAA’s Executive Director about the agency’s involvement in the state’s bond issuance process. As discussed elsewhere in this report, Treasurer Loftis made a public statement in his House Ways and Means budget presentation that he was currently unable to issue general obligation bonds.[[108]](#footnote-108) Just a few weeks prior to this public declaration, the STO had alerted SFAA that he wanted to add an executive session item to the February 4, 2025, meeting agenda: Update by Disclosure Counsel. The SFAA Director noted that while it is not uncommon for SFAA members to request additions to the agenda, this particular request was not accompanied by details of information typically provided to the Authority in support of agenda items.[[109]](#footnote-109)&[[110]](#footnote-110) This vagueness made it difficult for SFAA member liaisons to determine its appropriateness for addition and further, to determine the advisability of an executive session discussion. The STO explained that they were waiting for the AlixPartners report to be issued on January 15, 2025, to provide additional information.[[111]](#footnote-111) Ultimately, on January 29, 2025, the five SFAA liaisons and their counsels met with the state’s disclosure counsel. Thereafter a majority decided against including the item on the agenda.[[112]](#footnote-112) The Subcommittee noted in further discussion the ostensible concern about the use of executive session outside of permitted purposes given the timing of the request,[[113]](#footnote-113) and the fact that the preceding public conversation had been about the impact of the SEC investigation on the state’s ability to issue general obligation bonds, Treasurer Loftis’s decision to issue bond anticipation notes, and whether required disclosures and notifications were made.

Next to appear before the Subcommittee were a Managing Director and a Director of Investigations, of AlixPartners, who provided testimony in response to the statements made by the STO Chief of Staff, on February 18, 2025, as well as the testimony delivered by Treasurer Loftis on February 27, 2025, and the document submitted to the Subcommittee by Treasurer Loftis on the morning of February 27, 2025.

Chairman Grooms commenced the discussion by requesting the representatives from AlixPartners to affirm whether the STO Chief of Staff and Treasurer Loftis accurately characterized the erroneous ACFR Business area conversion entries as solely the fault and responsibility of the CGO, and whether AlixPartners had explicitly confirmed that assertion.[[114]](#footnote-114)

The Director clarified that the that the CGO properly makes non-cash accounting adjustments within ACFR business areas in preparation of the ACFR, which in and of themselves were not an issue.[[115]](#footnote-115) The issue arose as a consequence of transferring these non-cash accounting balances as cash to Treasury Fund 30350993 during the conversion of the legacy STARS system to SCEIS. AlixPartners found that $1.6 billion of the $1.8 billion was an unintended consequence of these transfers.[[116]](#footnote-116) AlixPartners further clarified that the transfers were not directly attributable to any employee of the CGO; rather, four users were associated with the transfer entries, two of which were STO employees, one of which was an employee of SCEIS assigned to the STO to assist with the conversion, and one of which was a system-assisted batch entry.[[117]](#footnote-117) The Director further clarified that although the entries were made by STO employees, they found evidence of CGO team members having at least an awareness of these entries and involved in some of the decision-making.[[118]](#footnote-118)

To the question of whether or not they had informed the STO Chief of Staff during a Microsoft Teams meeting on February 7, 2025, that the CGO bore sole responsibility for the inaccurate conversion of ACFR business funds, the AlixPartners representatives unequivocally denied making such a statement.[[119]](#footnote-119)

Chairman Grooms, upon reviewing the information presented, inquired of the representatives from AlixPartners whether the STO would have been capable of identifying an error of such magnitude. The representatives acknowledged the complexity of the question, stating that it would be difficult to assert with certainty whether the STO could have detected such an error.[[120]](#footnote-120) However, they emphasized that Fund 30350993 was exclusively a treasury-managed fund, directly associated with the STO.[[121]](#footnote-121)

At that point, Chairman Grooms sought clarification on whether employees of the CGO had made entries into the fund, ultimately contributing to the $1.6 billion in erroneous postings from various ACFR business areas. In response, the AlixPartners representative affirmed that the conversion entries had been made by the STO or others on its behalf, a finding that aligned with the subcommittee’s investigative research.[[122]](#footnote-122)

The Director further underscored that these financial entries had been recorded with the consultation and involvement of the CGO, with the expectation that the fund would reconcile to a zero balance upon the conclusion of the conversion process.[[123]](#footnote-123) He concluded that individuals in key positions within both offices were aware that a significant issue existed. However, despite this recognition, there was no clear understanding of the nature of the error, nor was there an ability to identify which specific entries had been erroneous.[[124]](#footnote-124)

Senator Goldfinch inquired whether any concerns had been raised regarding the conversion of cash and investments around 2017.[[125]](#footnote-125) The representatives from AlixPartners stated that, at that time, auditors informed the STO that they could not approve that year’s ACFR until cash and investments were fully reconciled.[[126]](#footnote-126) They further indicated that this led to the decision to record the unconverted amounts—ultimately contributing to the $1.8 billion discrepancy in Fund 30350993—as a liability, allowing the ACFR to be finalized.[[127]](#footnote-127)

On question of Treasurer Loftis’s assertion that the State Treasurer has reconciled balances in SCEIS to the bank, and that all cash and investments have been properly managed and accounted for, AlixPartners responded in substance that while portions of this statement were outside the scope of its engagement, they would take exception to the statement that cash was properly managed and accounted for, observing that had cash been properly accounted for, “we would not be here.”[[128]](#footnote-128) The Director stated that the AlixPartners Report found that the failure to investigate or understand the $1.8 billion represented a shortcoming in accounting for the Treasury funds.[[129]](#footnote-129) The AlixPartners Report recommends that Treasurer Loftis should report at the account and fund level; and that lack of granularity was a part of the problem.[[130]](#footnote-130)

Senator Sabb then questioned whether the General Assembly should have been notified of these issues.[[131]](#footnote-131) AlixPartners explained that their review suggested those involved in the conversion process believed they were resolving the problem and may not have fully understood the nature of the error.[[132]](#footnote-132) Senator Sabb, citing Treasurer Loftis’s recent evolving narrative over the funds fungibility, asserted that the General Assembly should have been informed of the outcome of the conversion. The Director acknowledged the concern but stated he could not definitively testify to the reasoning or understanding of the employees managing the conversion at that time.

Subsequently, Senator Matthews revisited a topic previously discussed during AlixPartners' January 2025 presentation regarding Treasurer Loftis’s participation in their meetings. The Director stated that Treasurer Loftis attended three of the eight meetings but could not recall that Treasurer Loftis had a speaking role.[[133]](#footnote-133) Senator Matthews then questioned whether AlixPartners could assess Treasurer Loftis’s level of involvement in his office’s operations. The Director indicated that while Treasurer Loftis appeared to have a general understanding, his level of familiarity with SCEIS remained uncertain.[[134]](#footnote-134) She further inquired whether Treasurer Loftis had acknowledged any responsibility for the issue. The Director confirmed that, during the final report discussion, Treasurer Loftis expressed a sense of shared responsibility for the $1.8 billion,[[135]](#footnote-135) directly contradicting his testimony on February 27, 2025, the sworn document he submitted to the Subcommittee that morning, and the testimony of his Chief of Staff on February 18, 2025. Senator Matthews closed this particular line of questioning by seeking clarification on the extent to which Comptroller General Gaines participated in the meetings relative to that of Treasurer Loftis, to which the AlixPartners observed that Comptroller General Gaines was an active participant.

Later in the hearing, Senator Rice inquired whether any documentation existed to confirm that Treasurer Loftis was aware of the error and the corresponding entries made.[[136]](#footnote-136) In response, the Director stated that no such documentation had been identified but emphasized that “the conversion process was really owned by the Treasurer’s Office,” with the Treasurer exercising oversight.[[137]](#footnote-137) This statement stands in contrast to Treasurer Loftis’s and his staff’s repeated assertions that responsibility for the conversion rested with the CGO.[[138]](#footnote-138) AlixPartners' response aligns with staff research, the findings of which will be further detailed in the subsequent section of this report.

Thereafter, Senator Matthews questioned AlixPartners regarding a specific statement from the document submitted by the STO to the subcommittee on February 27, 2025. The statement asserted that the AlixPartners Report confirmed: “There is no mystery bank account with $1.8 billion, there is no missing or misspent money, and all cash and investments have been properly managed and accounted for by the State Treasurer’s Office.”[[139]](#footnote-139) The Director refuted this characterization, stating that it was inaccurate for two reasons: first, AlixPartners was not tasked with assessing the management of STO funds;[[140]](#footnote-140) and second, a balance remained in a fund that should have a balance of zero.[[141]](#footnote-141) Given this, the Director testified that it was evident not all Treasury funds had been properly accounted for and managed by the STO.[[142]](#footnote-142)

Throughout the hearing, Subcommittee members asked a number of questions to promote clarity and understanding, referencing testimony from the Chief of Staff, the Deputy State Treasurer and Treasurer Loftis himself, who all asserted that all cash and investments were correctly accounted for and reconciled to the bank. In response, AlixPartners representatives consistently emphasized that, while they were not tasked with evaluating fund management, they concluded that Treasury funds were not fully accounted for.

One representative elaborated, noting that the Treasury reconciles by accounts rather than by funds. This led to further questioning, during which AlixPartners confirmed that had the Treasury been fully reconciling cash and investments at the fund level, the discrepancies likely would have been identified much earlier with greater transparency.[[143]](#footnote-143)

During the meeting, the representatives of AlixPartners were asked which single misstatement, whether in testimony provided by the STO or in the documents sent on February 27, 2025, they would correct if given the opportunity.

The Managing Director cited the testimony of both the STO Chief of Staff and Treasurer Loftis, which asserted that only one of AlixPartners’ recommendations pertained to the Treasury, while twenty-five were directed at the Comptroller General. The Managing Director emphasized that in this context, “quality” should not be overshadowed by “quantity,” noting that had the STO been able to properly reconcile by fund, as outlined in AlixPartners’ second recommendation, the $1.8 billion in unresolved discrepancies likely would not have been remained unresolved for seven years.[[144]](#footnote-144) The Director referenced Treasurer Loftis’s testimony in which he claimed that his agency had passed the forensic accounting review “with flying colors.” He countered this assertion, stating that AlixPartners believed the Treasury should have accounted for cash differently and conducted a more thorough investigation at the time to ascertain what exactly the issue was.[[145]](#footnote-145) Consequently, he asserted that it was inaccurate to suggest the Treasury had passed its review “with flying colors.”[[146]](#footnote-146)

Senator Grooms stated his appreciation for AlixPartners clarification, and indicated a key component of the report will be based on AlixPartners’s findings. He asked the representatives from AlixPartners if there was anything else they believed the subcommittee ought to know.

The Managing Director stated there is one point of clarification with regard to the Treasurer’s Document dated February 26, 2025, on page 22, where there is a statement that the CGO refused to allow AlixPartners to review its cross-walk, referencing the AlixPartners Report.[[147]](#footnote-147) That reference related to the CGO adjustments column, and she wanted to clarify that AlixPartners had access to the crosswalks for 2022 and 2023, reflecting adjustments AlixPartners had difficulty understanding in those years. AlixPartners asked whether or not they should review later years, and the CGO indicated that it would not be any different. It is not as if it was not made available by the CGO – AlixPartners had it, but because the result would not have been different, AlixPartners declined to review that piece.[[148]](#footnote-148)

The Director stated that on page 19 of the same STO Document, there is a block quote that says the AlixPartners Report states that the CGO’s entry was incorrect, there is a troubling observation regarding the Comptroller General’s credibility, and a statement made by the STO that this might have been an attempt by the CGO to deceive AlixPartners.[[149]](#footnote-149) The Director stated that the document to which this reference is made was found by AlixPartners on its own and was not provided by the CGO, and AlixPartners does not believe it was intended to deceive them in any way.[[150]](#footnote-150) AlixPartners noted on its report that it raised certain questions, which they looked at and evaluated considering other contemporaneous documents at the time. The document referenced concerned the $324 million entry processed in 2018.[[151]](#footnote-151) The document was authored by a CGO employee, and found in the CGO’s shared folders.[[152]](#footnote-152) In a follow-up question, the Director confirmed that AlixPartners did not believe that the CGO was trying to deceive them.[[153]](#footnote-153)

Senator Goldfinch asked if the Treasurer’s document was an effort to obfuscate or shift blame.[[154]](#footnote-154) The Director responded that he did not know that AlixPartners had a view like that, but observed that certainly there are factual inaccuracies that AlixPartners wanted to ensure had been corrected.[[155]](#footnote-155) On further question by Senator Goldfinch, the Director confirmed that the two corrections he made were among others that were not factually accurate.[[156]](#footnote-156) Senator Goldfinch again asked whether or not the Treasurer’s document attempted to shift blame to the Comptroller General, to which the Director responded that it would appear that way.[[157]](#footnote-157)

The Subcommittee offers its highest commendation to AlixPartners for their invaluable work. Without their efforts, the $1.8 billion discrepancy might have remained unresolved indefinitely, as obtaining accurate information from the STO and fostering cooperation between them and the CGO proved exceedingly difficult.

Regrettably, the necessity of hearing testimony from AlixPartners again arose due to the confusing and opaque information provided by the STO. As Treasurer Loftis himself acknowledged in his testimony on February 27, 2025, $3 million was expended to uncover the truth—an expenditure that, as this Subcommittee has demonstrated, was necessitated primarily by either his lack of transparency or his disengagement from the operations of his own office. Moreover, even after the release of the report, when given the opportunity to cooperate with the Subcommittee, amend his prior conduct, and demonstrate transparency, Treasurer Loftis instead pursued further obfuscation and deflection of his responsibility.

***Letters Received from Treasurer Loftis on March 14, 2025***

On March 14, 2025, the Constitutional Subcommittee received two additional letters from the STO. The first, which was provided as a carbon copy, requested President Thomas Alexander and Finance Chairman Harvey Peeler to intervene in what was described as an improper and biased investigation by the Senate Finance Constitutional Subcommittee.[[158]](#footnote-158) The letter goes on at some length in an attempt to demonstrate that the Subcommittee has overstepped its authority, disregarded proper procedures, and made false accusations about Treasurer Loftis, including that he had misappropriated state funds.[[159]](#footnote-159) In brief, the Subcommittee urges his further review of the S.C. Code, particularly Section 2-2-40(B), and Section 2-2-70, as well as the documents presented as exhibits with this report for a better understanding of the authority and process guidelines for the investigation, as well as evidence precipitating findings. As to the misappropriation of funds, the Subcommittee concedes that the largely inscrutable state of the STO budget precludes full awareness of the use of funds under his control. Treasurer Loftis took issue with the level of transparency of the process despite the numerous public hearings held in open-door session, and despite the inherent contradiction in a publicly elected state officer’s objection to public questioning about the work of his public office. He urged the Senate to review the Subcommittee's actions and prevent “further damage.”[[160]](#footnote-160) Of note, the letter does not refute any written factual findings the Subcommittee has made thus far.

The second letter was a response to testimony provided by the AlixPartners representatives on March 11, 2025.[[161]](#footnote-161) Treasurer Loftis disputed aspects of their report, again arguing that the CGO played a direct role in directing erroneous accounting entries[[162]](#footnote-162) and that a March 2024 CGO memo falsely attributes a $324 million transfer request to his office, an assertion that until now had not been heard by the Subcommittee, and one whose import remains a mystery Treasurer Loftis maintained that his disagreements with AlixPartners are interpretive rather than factual and reiterates the Treasury’s commitment to transparency in resolving the issue.

 It is the belief of the Subcommittee that these letters constitute a last-minute effort by Treasurer Loftis to deflect accountability as the weight of evidence becomes insurmountable. The Subcommittee has, throughout the investigation, remained committed to its objective review of the facts and in this final phase will not be diverted by the need to systematically address each unfounded claim. However, the forthcoming findings will clearly demonstrate the lack of credibility in these assertions.

**VIII. Findings Based on Subcommittee Investigation & Hearings**

The following section provides a summary of Subcommittee findings regarding the $1.8 billion in unresolved discrepancies in Fund 30350993 in light of the AlixPartners Review and Report, as well as information gleaned by the Subcommittee through hearings and further investigation. Associated exhibits and points of clarification are annotated in the form of footnotes.

***Treasurer Loftis’s Evolving Narrative of the 1.8B***

Prior to exposition of the most recent findings by the Subcommittee, it is important to consider Treasurer Loftis’s evolving narrative of the $1.8 billion in unresolved discrepancies in Fund 30350993.

From the inception of this investigation until the release of the AlixPartners report, Treasurer Loftis remained steadfast in asserting that the balance of Fund 30350993 represented real cash that had been pooled, invested, and yielded $225M in earnings. In exchanges with Senator Mike Fanning, Senator Thomas McElveen, and Senator Stephen Goldfinch during his April 2024 testimony, Treasurer Loftis adamantly and unequivocally maintained this posture.[[163]](#footnote-163) Prior to his April 2024 testimony, Treasurer Loftis was featured in radio and television interviews affirming the same, his narrative only varying with respect to the amount earned in investments.[[164]](#footnote-164) On January 17, 2025, one day after the AlixPartners report was released, Treasurer Loftis detailed in a video sent to members of the legislature and posted to his social media page that the AlixPartners report validated what he and his office “knew all along.”[[165]](#footnote-165)

Bewildered, during the meeting at which Treasurer Loftis testified on February 27, 2025, the Subcommittee sought clarification on the stark shift in his narrative. Regrettably, no such clarity was forthcoming. Treasurer Loftis contended that the Subcommittee had conflated the terms “accounts” and “funds,”[[166]](#footnote-166) asserting that the latter merely serves as an accounting representation of tangible cash. He maintained that his intention was only to convey that the fund in question, at a specific point in time, contained actual monetary assets. The Subcommittee cannot accept this elucidation as it fails to illustrate a cohesive, consistent, or otherwise comprehensible set of facts, and is entirely juxtaposed with his April 2024 testimony.

Chairman Grooms revisited this issue later in the subcommittee hearing, pressing Treasurer Loftis on whether he had believed the balance in Fund 30350993 was real when he testified in 2024. In response, Treasurer Loftis affirmed that he had, basing his belief on information provided by "every source in state government."[[167]](#footnote-167) Seeking to crystallize Treasurer Loftis’s shifting narrative for the record, Chairman Grooms asked him to unequivocally confirm that the balance of Fund 30350993 represented actual cash. Initially, Treasurer Loftis affirmed this assertion but immediately wavered, stating: “I did believe [that it was real money], well, it represents real money. It’s a fund that represents real money that shows up in the banks' accounts.”[[168]](#footnote-168) When further pressed to define and reinforce his testimony regarding the tangibility and fungibility of the $1.8 billion, Treasurer Loftis clarified that he was distinguishing between money held in a bank and money recorded within a fund.

***Conversion Process of the State Treasury***

Throughout this investigation the STO has not taken any level of responsibility for their portion of the conversion from STARS to SCEIS, testifying that the Comptroller General not only made the unilateral decision for the conversion, but also was in charge and responsible for its entirety. Evidence gleaned by the Subcommittee during investigation suggests otherwise.

Over time and with growing intensity recently following publication of the AlixPartners Report, Treasurer Loftis has repeated these erroneous statements: that the CGO was responsible for the conversion errors, that the STO has no responsibility nor interest in balances maintained at the fund level, and that the conversion itself originated as a statutory responsibility of the CGO. Each of these claims is false.

Conversion to SCEIS treasury management from the STO’s legacy systems was not within the original statutory mandate for the state’s adoption of SCEIS, nor has such a mandate been issued by the General Assembly at any point since. The original functions covered by the mandate were statewide accounting, human resources and payroll, and procurement. The recommendation to implement treasury and investment accounting formally emerged from the Treasurer’s Transition Team Report published in February 2011,[[169]](#footnote-169) stating that his transition team’s Technology Subcommittee reviewed and made appropriate recommendations regarding the need to upgrade, acquire, and retire any stand-alone Information Technology systems in the STO to achieve economies, efficiencies, savings, and increased productivity.[[170]](#footnote-170) Members ascertained the STO’s progress in implementing SCEIS, the State’s enterprise system, and considered the benefits and merits of the State implementing modules of the State’s new enterprise information system beyond the accounting, HR, and payroll, and procurement modules initially being implemented statewide.[[171]](#footnote-171) In addition to SCEIS, other STO systems (approximately 14) include debt management, investment, and cash management. The sheer number of STO systems is difficult to manage and many of the systems have been in existence for a number of years and often do not integrate with SCEIS. The integration of these systems to SCIES should be examined.[[172]](#footnote-172)

On or about July 18, 2014, the STO published a project charter to replace the investment management system (NVEST).[[173]](#footnote-173) Executive sponsors were reflected as Treasurer Loftis, his chief of staff, and one of his deputy State Treasurers. Six employees reflected in the document were STO employees; one employee was an employee of SCEIS, and two employees were employees of the State Office of Chief Information Officer. Project goals were to replace the Investment Management System (IMS); to reduce and eliminate manual and redundant processes; to automate the transmission of files to and from business partners; to improve availability of management reports; to provide a secure operating environment that protects the privacy and confidentiality of all banking and investment data; and to identify cost reductions and cost savings through the elimination of duplicate systems, functions, contracts, manual processes, printing of reports, etc.[[174]](#footnote-174)

On or about August 5, 2014, the STO published a project charter to transition general deposit bank accounts to SCEIS.[[175]](#footnote-175) Executive sponsors were reflected as Treasurer Loftis, his Chief of Staff, and one of his deputy State Treasurers. With the exception of one employee of SCEIS, all of the remaining employees reflected on the document were employees of the STO. The project goals were to replace the bank reconciliation processes in FMS[[176]](#footnote-176) with similar, more robust and automated functionality in SCEIS; to replace the ‘check funding’ process in FMS with the similar, automated functionality in SCEIS; to automate files exchanges and reconciliation processes with banks where transaction volume is of significant size; to improve access to and the availability of reports to manage banking activities; to provide a secure operating environment that protects the privacy and confidentially of all banking data; and to identify cost reductions and cost savings through the elimination of duplicate systems, functions, manual processes, printing of reports, etc.[[177]](#footnote-177)

These documents confirm that the conversions of investments and banking to SCEIS were initiated and sponsored by the STO, and not the Comptroller General nor by statutory mandate, as Treasurer Loftis and his staff have asserted. No employees of the CGO or the OSA were listed in any role in these documents.

As has been previously determined, conversions pursuant to these projects ensued principally in the years 2015 and 2016. Extensive research reveals no participation, including preparation of entries, by the CGO or the OSA during the conversions. Rather, the engagement and participation of the CGO and OSA arose following conversion, principally in connection with corrective actions necessary for preparation of the ACFR following the failed conversion. This research confirms that the conversion was executed not by the CGO, nor by statutory mandate, but by the STO.

In addition to the foregoing, Proviso 98.2[[178]](#footnote-178) included in the FY2024-25 Appropriations Act, as continued for many fiscal years in the past, provides that decisions relating to STARS and SCEIS which involve the State Treasurer’s Banking Operations and other functions of the STO shall require the approval of the State Treasurer.[[179]](#footnote-179)

As a result, all of Treasurer Loftis’s continued assertions that anyone other than his Office selected, implemented or otherwise effected, provided oversight, or had any other responsibility, to or for the conversion and ongoing maintenance of the State’s investment and banking systems and records, are refuted.

***Failed Conversion of the State Treasury***

Fund 30350993, along with the $31 billion in account variances[[180]](#footnote-180) it encompasses, stands as clear evidence of a failed Treasury conversion. During the April 2024 subcommittee hearing, Treasurer Loftis strongly objected to the Subcommittee’s Exhibit 10,[[181]](#footnote-181) which outlined a SCEIS-based report on Fund 30350993 with the inclusion of its associated variances. However, both the February 27, 2025, STO Document and Treasurer Loftis’s testimony during the April 2024 hearing indicate that he interpreted the SCEIS based report as stating that Fund 30350993 held a balance of $31 billion—an assertion that does not align with the actual contents of the report.

The Subcommittee illustrated the extent of the transactions totaling $31B in fund 30350993 to force agreement between the SCEIS General Ledger and the bank statements that resulted from Treasurer Loftis’s failed conversion. The AlixPartners report confirms and describes these differences on page 49, as follows:

“As of 2022, the $1.8 Billion balance is composed of: (1) balances recorded related to 11 bank accounts (with a total balance of $31.0 billion); and (2) the ‘splitter’ balance in Fund 30350993 (with a balance of negative $29.1 billion). We have confirmed that, in each instance, SCEIS cannot be reconciled to the bank statements for those 11 banks without including the cash in Fund 30350993.”[[182]](#footnote-182)

Moreover, in his letter dated February 20, 2024, to Chairman Grooms, then-State Auditor George Kennedy made the following observations:

“Fund 30350993 was created primarily to record cash transfers between banks. That remains its primary purpose today. However, the fund was also used to convert bank and agency cash balances as the legacy STARS system was converted to SCEIS. At the close of fiscal year 2017, fund 30350993 carried a balance of approximately $1.5 billion, representing STARS to SCEIS conversion activity. That amount grew to approximately $1.8 billion in subsequent years as the conversion was completed. While the $1.8 billion cannot be assigned to a specific agency or fund, the State’s pool of cash does not reconcile to the SCEIS general ledger without its inclusion. Accounting for cash assigned to these funds is managed at an agency level. In addition to requirements that cash be used for a specific purpose, there are usually reporting requirements imposed by State or Federal governments or by other granting entities regarding the status of unspent funds. The accounts composing the $1.8 billion remain in fund 30350993 and that fund remains unbalanced. While this is unusual, its placement there serves to segregate the accounts composing the balance until an adjusting journal entry can be recorded in SCEIS to reclassify (reallocate) the balances. The journal entry should eliminate the balance of fund 30350993 and clearly establish underlying ownership of cash within the General Fund.”[[183]](#footnote-183)

Accordingly, both the AlixPartners report and the State Auditor’s letter confirm the findings of the Subcommittee that Fund 30350993 represents unresolved differences that arose in connection with the conversion.

As a result, all of the Treasurer’s continued assertions that his books are accurate and reconcile to the bank are refuted.

***Balance of Fund 30350993 Ignored, Mischaracterized and Attributable to Office of the State Treasurer***

The AlixPartners review determined that the $1.8B exception arose out of the conversion from the legacy accounting system, STARS, to SCEIS. While the state started the transition in 2007, the State Treasury conducted its bank conversion from 2015 to 2017. During this time, four cash accounts in STARS were replaced by specific general ledger accounts designed to reconcile individually to bank accounts held in the state’s custody. The STO intended to bring this into effect in two phases; Phase One transferred legacy cash transactions in SCEIS linked to specific bank accounts, with any unreconciled differences recorded in Fund 30350993. Any remaining differences were resolved through an adjusting entry in Fund 30350993 with an offset in equal amount to the Conversion Account also within 30350993. Phase 2 intended to clear STARS cash transactions in SCEIS that were not successfully linked to a specific bank account against adjustments recorded to Fund 30350993. Per the AlixPartners Investigation, mistakes made in both phases of the conversion contributed to the remaining balance of $1.8B in Fund 30350993.[[184]](#footnote-184)

During the conversion, an unconverted agency contributed $234,465,654 to the balance, with a remaining *de minimus* unidentified balance.[[185]](#footnote-185) While the investigation determined that this was the only portion of the $1.8B that ever represented real cash, it is not cash that can be appropriated and spent; it represents cash that has already been appropriated and expended, but the agency of ownership was lost during the conversion. The remaining $1.6B was never tangible cash at all, but rather ACFR business areas erroneously converted by the State Treasurer’s Office and classified as cash that needed to be converted and reconciled appropriately.

To effect resolution of the fund, AlixPartners recommended that the entries comprising the $1.6B in erroneously converted ACFR business activity be reversed, while the $245M attributable to an unidentified agency and in unclaimed cash be recorded to the General Fund in the state’s ACFR.

Despite Treasurer Loftis’s repeated assertions to the contrary, he and his office bear a significantly higher share of responsibility for the errors that were the origin of the $1.8 billion conversion issue. Treasurer Loftis and his Chief of Staff have steadfastly maintained that the CGO bears sole responsibility for Treasury Fund 30350993 and the erroneous conversions associated therein; however, this claim is demonstrably false. While it is evident that both the CGO and STO collaborated in booking the remaining conversion and corrective entries,[[186]](#footnote-186) it was ultimately the STO that made the determination to improperly classify financial transactions within ACFR business areas as cash to be converted, subsequently recording them in Fund 30350993.[[187]](#footnote-187) The Subcommittee acknowledges that transitioning from a legacy accounting system to a new financial framework is an inherently complex undertaking, one that inevitably presents challenges requiring thorough evaluation and corrective measures. What the Subcommittee cannot sustain is the apodictic failure of the STO to recognize, acknowledge, and report the conversion error over its eight years of existence to the General Assembly.

In summation, the Subcommittee attributes the Treasury’s inaccurate financial records to a failed conversion process. The Treasurer’s books remain erroneous to this day, and his continued assertions to the contrary significantly diminish the likelihood of resolution and corrective action. As a result, billions of dollars in conversion discrepancies persist, underscoring the urgent need for accountability and remediation.

***Regarding Treasurer Loftis’s Awareness of Treasury Conversion Issues***

The Subcommittee has found evidence supporting the implausibility that Treasurer Loftis did not know about the problems pervading the conversion of the Treasury or of the $1.8 billion in unresolved discrepancies itself.

In early 2017, the State Auditor in his Fiscal Year 2016 *Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters* reported as a material weakness to the State Fiscal Accountability Authority that cash and investments reported in SCEIS did not reconcile to the amount of cash and investment balances reported by the STO.[[188]](#footnote-188) In response, leadership of the STO stated that they looked forward ”to finalizing the innovative internal control procedures over financial reporting,”[[189]](#footnote-189) as well as an ”even more successful reporting process next year as we further implement reconciliation procedures to ensure that Treasury data is accurately reflected within the Financial Accounting enterprise of SCEIS and inculcate recommendations in any and all practices and processes.”[[190]](#footnote-190)

The next year, the State Auditor again reported that the reconciliation of cash and investments in SCEIS still had not been completed.[[191]](#footnote-191) The leadership of the STO responded that entries they expected to make in Fiscal Year 2018 would “simply be a ledger move between offsetting accounts and would have no effect on CAFR[[192]](#footnote-192) reporting.”[[193]](#footnote-193) The limited SCEIS conversion entries remaining to be performed will not impact cash, cash equivalents nor investment balances as noted in the CAFR. Any remaining entries will only enhance already improved transparency, timeliness, and accuracy of Treasury activities within the State Enterprise. These entries, expected to be complete in FY2018, will simply be a ledger move between offsetting accounts and will have no impact on CAFR reporting.”[[194]](#footnote-194) The letter closes with the assurance, “The State Treasurer’s Office will continue to ensure that Treasury data is accurately reflected within the Financial Accounting enterprise of SCEIS.” [[195]](#footnote-195)

Further evidence in possession by the Subcommittee includes electronic communications between leadership of the CGO and the STO regarding the establishment and treatment of Fund 30350993.

In a November 2016 e-mail, leadership of the CGO asked leadership at the STO about the status of the resolution of the cash and investments conversion for the ACFR.[[196]](#footnote-196) The leadership of the STO responded that they were unaware of a resolution timeline, and iterated that the external auditors had only had positive comments. Leadership of the CGO insisted it was necessary to complete more work on cash and investments before the ACFR could be finalized.[[197]](#footnote-197)

In March 2018, staff involved with the conversion at the STO asked staff at the CGO to examine the balances of certain conversion funds.[[198]](#footnote-198) The staff from the STO forwarded this e-mail to leadership of the STO, noting that the CGO was establishing a special general ledger account for the conversion entries yet to be cleared rather than writing them off as a prior period adjustment.[[199]](#footnote-199)&[[200]](#footnote-200) Ultimately, these communications resulted in the transfer of unresolved conversion balances to General Ledger Account 2400600002 (Due to Other Funds – Equity in Pooled Cash), where unresolved entries from the conversion were consolidated and remain pending resolution in accordance with the recommendations included in the Alix Partners report.

Given the State and independent auditors' findings on the conversion of cash and investments in two consecutive years, the corresponding responses from leadership staff regarding its resolution, and the existence of multiple communications concerning the state of the conversion process—both for financial reporting purposes and for the establishment of the conversion fund—it is inconceivable that Treasurer Loftis was not, at the very least, aware that the conversion process was experiencing significant issues and required close oversight. Furthermore, it is incredulous that Treasurer Loftis would make neither the SFAA nor the General Assembly aware of the persistent conversion issues particularly after the STO avowed in its audit responses that SCEIS would reflect accurate data in 2018.[[201]](#footnote-201)

**IX. Recommendations**

A. SEC Investigation Compliance: The Subcommittee is well aware of the Securities and Exchange Commission investigation, and while the nature of the investigation dictates appropriate discretion the Subcommittee believes the interests of the state are best served by its investigation into the origins of errors and then to take appropriate action to promote their resolution. For its part, the Subcommittee views the AlixPartners recommendations, including independent supervision and verification of their implementation, as integral actions to demonstrate and ensure appropriate self-regulation and self-correction. By extension, the Subcommittee has undertaken to issue this final report to provide the results of its investigative activities, and to provide assurance of the state’s commitment to their resolution. Members of the Subcommittee hereby publicly commit to cooperate fully and speak truthfully, and encourages the same from any other interested parties. To the extent that this document is useful in any current or subsequent investigation, we hereby attest to its accuracy based on information and belief.

B. Correction and Maintenance of State's Records: The integrity of the State's financial records within the Treasury must be restored through corrective actions, including not only processing corrective entries and implementing other AlixPartners recommendations, but also implementing a comprehensive current and ongoing process of reconciliation by the STO of cash and investment fund balances performed at levels that ensure compliance with sound financial principles and accounting standards, and as otherwise prescribed by the Comptroller General in accordance with state law.[[202]](#footnote-202)

While records and available sources indicate that the STO was capable of performing reconciliations of this caliber prior to the conversion to SCEIS,[[203]](#footnote-203) the STO has since demonstrated either an inability or an unwillingness to do so. Beyond the statutory obligation to provide such reconciliations,[[204]](#footnote-204) the ability to fully reconcile funds is fundamental to ensuring the proper execution of the Treasurer’s fiduciary duty to manage and invest the state’s pooled cash. Without a complete reconciliation, it is impossible to accurately determine the extent of a particular fund’s participation within the portfolio, or to allocate the fund’s appropriate share of portfolio earnings.

Prior to the conversion to SCEIS, the STO produced a Cash Status Report (TSA404NR) which contains on its face a statement to the effect that “the primary sort of the report is by agency, fund, fund group, and fund detail. The report gives a detail line for each fund detail within fund group. The detail line contains fund detail code, fund detail title, beginning balance, cash receipts, net transfers, cash disbursements, ending balance, and overdraft date (if applicable).”[[205]](#footnote-205) In both his April 2024 testimony and his most recent sworn testimony on February 27, 2025, Treasurer Loftis asserted that investments are managed at the portfolio level rather than at the individual fund level. Accepting this sworn statement as an accurate representation of reality, individual funds are not assigned to specific portfolios in a manner that would allow their balances—and, crucially, their investment earnings—to be appropriately credited to the funds in which the cash is held. For the STO to properly account for investment earnings, it must possess a precise understanding of the cash contributions of each fund within the portfolio, categorized by agency and fund.

Therefore, the Subcommittee recommends that the State take appropriate steps to ensure the books of the Treasury are complete and corrected and that they are henceforth able to perform a full reconciliation of all cash and investments in conformance with Proviso 98.14 and AlixPartners Recommendation #4.

C. AlixPartners Recommendations: The Subcommittee recommends that all AlixPartners Recommendations be implemented and followed by all involved parties, and maintains that the success of the those recommendations hinges not only upon the ability of the STO to be active participants in their implementation, but also its willingness and capacity to accept responsibility, change internal processes, and act synergistically with other state agencies involved. The majority of the AlixPartners recommendations were directed toward the CGO, and the Subcommittee surmises that it was for that reason Treasurer Loftis asserted absolute exoneration, going so far as to tell the Subcommittee that the “wrong agency”[[206]](#footnote-206) was audited. The Subcommittee disagrees, and finds that the majority of the recommendations focus on integrity of the State’s ACFRs, and the principal role of the CGO in its preparation. While the primary responsibility for compiling the ACFRs rests with the CGO, the Subcommittee contends that the integrity of these reports is inherently influenced by the accuracy and completeness of the information provided by the STO.

D. Additional Study of the Agency: The Subcommittee recommends study and review of the STO by the other relevant state investigatory bodies: the Inspector General, Legislative Audit Council, and the Oversight Committees of the Senate and House. As a general proposition, all state agencies are subject to periodic oversight and analysis, and a cursory review of relevant reports reveals that STO has not recently been studied by these bodies. A number of issues materialized during the course of the Subcommittee’s investigation that are beyond the scope of this project but appear to be ripe and therefore under the jurisdiction of these other bodies.

The State Inspector General is charged with receiving complaints of fraud, waste, abuse, mismanagement, misconduct, violations of state or federal law, and wrongdoing in agencies.[[207]](#footnote-207) As described in this report, at a minimum, it appears the STO has wasted state resources by contracting with outside communication professionals to craft and disseminate a message that contradicts the findings of the forensic accounting firm, and the Subcommittee has reason to believe that the STO also funded other efforts to refute other factual findings around the $1.8 billion. This and other information received by the Subcommittee about the use of state funds at STO is not readily discoverable due to the nature of the STO’s funding mechanisms, which are not transparent.[[208]](#footnote-208)

The Legislative Audit Council (LAC) is statutorily directed to examine agencies to determine their relative efficiency and efficacy in use of resources to include personnel, property, and space to derive results and benefits for South Carolinians as authorized.[[209]](#footnote-209) LAC also studies the effectiveness of organizations, programs, activities, or functions of agencies to consider the need for continuation, revision, or elimination. This report details some of the functionalities in the STO that failed to deliver accurate state financial records, and the Subcommittee requests that LAC audit STO to determine other causes of this fiscal disaster.

The Legislative Oversight Committees of the Senate and House also have statutory authority to periodically review state agencies to determine if agency laws and programs within the subject matter jurisdiction of a standing committee are being implemented and carried out in accordance with the intent of the General Assembly and whether they should be continued, curtailed, or eliminated. These Committees are also charged with considering the necessity or desirability of enacting new or additional legislation. Neither body’s Oversight Committee has undertaken review of the STO in a number of years, and notwithstanding their regular review schedule, the Subcommittee requests an unscheduled oversight study and investigation of the STO pursuant to Section 2-2-40.

E. Structural Changes: The Subcommittee also recognizes that, dependent on the outcome of this matter, significant structural changes to the financial executive officers and offices of our state may be warranted, and many such reforms must be made through legislation, whether by statute or by constitutional referendum. One specific reform the Subcommittee again recommends is enactment of legislation to establish complete independence of the State Auditor and has concluded that supervision of the State Auditor by the SFAA does not protect the integrity of the audit process. The Subcommittee also generally supports appointment of the financial executive officers of the state by the Governor with Advice and Consent of the Senate and the establishment of professional competency and experience requirements in law. The Subcommittee will continue to study possible additional reforms to the STO, CGO, and the OSA to better delineate the responsibilities of each, facilitate cooperation, and increase accountability. It is critical that South Carolinians have competent leaders in all offices of state government, and that our agencies are led by the most highly qualified individuals who serve without regard to political partisanship or partiality to anyone other than the citizens of the state.

F. Removal of the Current State Treasurer

Among all the duly elected Constitutional Officers in the State of South Carolina since its formation as a state in 1776, no Constitutional official has ever been removed from office. This is a necessarily rare occurrence and one that must never be taken lightly. Following its multi-year, multi-faceted, expert-informed, and carefully documented investigation, the Subcommittee now recommends to the members of the General Assembly and the Governor that the current State Treasurer, Curtis Loftis, be removed from office for willful neglect of duty and other reasonable causes, pursuant to Article XV, Section 3 of the State Constitution.

Ironically, at the last meeting of the STO and Subcommittee to discuss these matters, Mr. Loftis stated, “There are policies and procedures, let's just say statutes on the books, that can stop all this from happening. But we haven't utilized them.”[[210]](#footnote-210) He is partially correct; however, he was referring to the wrong statutes. Below are cited the statutes that were enacted to stop all this from happening, and findings of the Subcommittee with respect to Treasurer Loftis’s violations thereof.

1. The State Treasurer has willfully neglected his duties as are outlined in the sections of the S.C. Code listed below.

*Section 11-5-100. Account in books for appropriations.*

*The Treasurer shall raise an account in the Treasury books in every instance for the several appropriations made by the General Assembly, so that the appropriations of money and application thereof conformably thereto may appear clearly and distinctly on the Treasury books.*

Under this Section of the Code, the Treasurer is charged to maintain accurate reports. The Subcommittee finds that the existence of a $1.8 billion balance with no designated ownership violates this statute, as a lack of ownership is neither clear nor distinct.

Last year, Treasurer Loftis took great exception to the Subcommittee’s observation about the existence of more than $30 billion of plugged financial transactions in Fund 30350993. Now, those differences are confirmed by the AlixPartners Report. The Report states that the $1.8 billion balance is composed of balances related to eleven bank accounts with a total balance of $31.0 billion; and the ‘splitter’ balance in Fund 30350993 with a balance of negative $29.1 billion. Further, AlixPartners confirmed that SCEIS cannot be reconciled to the bank statements for those eleven banks without including the cash in Fund 30350993.

 Treasurer Loftis was and is aware of the flawed bookkeeping. During the conversion process from STARS to SCEIS over seven years ago, it became clear that because of the conversion process, the preparation of the state’s ACFRs would be negatively impacted, and there were in fact conversations between the leadership of the agencies and external auditors about this issue.[[211]](#footnote-211) Further, staff was aware that a separate conversion fund was needed due to imbalances emerging during the process.[[212]](#footnote-212) The fund was ultimately flagged by the State Auditor both as a material weakness and as a significant deficiency, accounting terms that refer to a flaw in records that increase chances that financial reports will not be accurate.[[213]](#footnote-213) The Subcommittee determined that the Treasurer did not take appropriate action to correct his books.

Put simply, Treasurer Loftis cannot successfully balance to the bank without the inclusion of unreconciled differences – imbalances in funds under his exclusive control. The financial records of the state are in shambles, and there can be no assurance that the bank balances are accurate, or worse, that no funds have been wasted, misused, or misappropriated. The fact that the Treasurer has permitted these exceptions to continue unresolved for almost a decade is a dereliction of his duty to account in his books for appropriations in accordance with the provisions of Section 11-5-110.

 *Section 11-5-120.Publication of quarterly statements.*

*The State Treasurer shall publish, quarterly, by electronic means and in a manner that allows for public review, a statement showing the amount of money on hand and in what financial institution it is deposited and the respective funds to which it belongs.*

In this section, the Code speaks to the degree of specificity required in the Treasurer’s reporting. Treasurer Loftis has asserted compliance with this law but on another occasion, stated that he is in fact not in compliance with the law. However, the Subcommittee determined that Treasurer Loftis has failed to meet the requirement to show “the respective funds to which [money on hand] belongs,” notwithstanding his argument that the term “funds” in SCEIS were not contemplated by the statute. Given the present condition of his records following the conversion, he cannot demonstrate any accurate level of specificity of the funds within the records of the Treasury, even at the most fundamental level of state agency.

The Subcommittee recognized early on in its investigation that ownership of funds is integral to understanding the origins of the $1.8 billion balance.

AlixPartners reiterates the need for this specificity. In Recommendation 4, they stipulate that the Treasurer needs to perform a full reconciliation by agency by fund no less frequently than annually. Treasurer Loftis has repeatedly asserted that SCEIS balances to the bank, and that ownership is not a concern of the Treasurer. This argument fails since accounting for cash by agency and fund is essential in the accurate calculation of earnings due to each agency and fund participating in the investment portfolio.

*Section 11-5-180.Monthly reports to Comptroller General of cash transactions.*

*The State Treasurer shall, at the end of every month, report to the Comptroller General an accurate statement of the cash transactions of the Treasury, of every description, stating therein every sum of money received or paid away in behalf of the State, particularizing the person and his office of whom received and to whom paid, as also on what account received and for what purpose paid.*

*He shall, at all times, when required by the Comptroller General, produce to him satisfactory statements of the cash in hand and furnish him promptly with the official information, duly certified, relative to any matter connected with the revenue and finance of the State.*

Here, the Code establishes a system of checks and balances, and mutual accountability, between the State Treasurer and the Comptroller General. Pursuant to the above statute, the Comptroller General determines information that is satisfactory. The Subcommittee found that on multiple occasions the Comptroller General requested satisfactory information from the Treasurer, but that the Treasurer would not or could not provide the information. An outside audit performed by Mauldin & Jenkins in March of 2024 confirms this finding.

If the State Treasurer had been able to make an accurate statement of cash transactions to the Comptroller General at all times, we would not find the state with $1.8 billion in inaccuracies.[[214]](#footnote-214) Despite the complexities of the conversion, Treasurer Loftis was nevertheless required to maintain compliance with this section of the Code. Any doubt as to the success of the conversion should have been detected during pre-conversion testing, and the conversion should not have proceeded until he and his staff had determined that the conversion would be successful.

*Section 11-5-220. Report required after sale of bonds or notes.*

*The State Treasurer shall report to the Joint Bond Review Committee, the House Ways and Means Committee, and the Senate Finance Committee immediately after selling any General Obligation Bonds or Anticipation Notes. This report shall include the total amount of the issue, the interest rate charged (specified by year if the rate is not the same each year), the time contracted to pay the debt service, and the principal payment schedule.*

This Section of the Code is a simple reporting requirement regarding notification to fiscal and legislative leadership about the sale of bonds, and its violation by Treasurer Loftis is part of a larger narrative that only recently emerged, following his unilateral decision almost a year ago to stop offering long-term debt of the state without notifying the Subcommittee, SFAA, the General Assembly or its standing financial committees. The Subcommittee finds that the Treasurer did not issue the report as described in 11-5-220 and cites other related violations later in this portion of the Subcommittee report.

*Section 11-5-185.Treasurer's annual report to the General Assembly.*

*In addition to other reports required by law to be made, by the State Treasurer, he shall also report annually to the General Assembly in the month of January on the following matters:*

 *(1) The amount of state revenue collected in the previous fiscal year.*

*(2) The amount of such revenue deposited in the state general fund.*

*(3) The location of general fund revenue in banks and other financial institutions including invested funds, as of the end of the previous fiscal year.*

*(4) The interest accrued from deposits and investments for the previous fiscal year and the use of such interest.*

*(5) The amount expended for debt service in the previous fiscal year.*

*(6) The current status of the general fund reserve including any expenditure or reimbursement thereof.*

*(7) Any other information relating to state revenue which the Treasurer deems pertinent and of value to the General Assembly, including such items as special state funds, the highway fund and other funds not specified herein, as may be deemed appropriate by the Treasurer.*

*The General Assembly shall provide in the annual general appropriations act for the cost of preparing this report.*

This Code section requires the State Treasurer to keep the General Assembly apprised of basic financial facts, but perhaps most importantly, other information deemed pertinent and of value to the General Assembly. The Subcommittee finds it indefensible that Treasurer Loftis did not consider a fund containing $1.8 billion in unidentified monies to be exactly the sort of information envisioned in this state law. Inexplicably, he never reported any information about it over the course of almost a decade, and when eventually questioned about the fund in hearings of this Subcommittee, he mischaracterized its essence, mischaracterized who made entries into the fund, and even in his written document released last month, asserts that the fund is not related to state revenue.

Despite confirmation by AlixPartners that the $1.8 billion fund is a treasury fund for which his office is responsible and under its exclusive control, the balance of which over time grew as a result of entries made exclusively by his office or others employed by or on its behalf, Treasurer Loftis adheres to his claim that the fund is the responsibility of the Office of Comptroller General. Nevertheless, the Subcommittee finds that the $1.8 billion is held in a special fund designated to and utilized by the Office of State Treasurer, and that the fund is tied specifically to State Treasury cash and investments, as documented by SCEIS records of the fund activity. Whether the $1.8 billion constitutes an asset or liability of the state, its impact on the financial condition of the state is substantial and should have been reported in accordance with the provision of this statute.

A second omission of reporting was Treasurer Loftis’s failure to alert the General Assembly or any oversight entity about his decision to issue Bond Anticipation Notes rather that General Obligation Bonds. Further, there was no report made about the attendant financial circumstances that might have precipitated this decision. The Subcommittee learned this pertinent information not from a report by the Treasurer, but from what appeared to be spontaneous statements he made in a January 2025 House budget hearing. There, Treasurer Loftis stated that he had borrowed $487 million in one-year money so that dormitories and hospitals can be built, “one year at a time with no interest rate protection.”[[215]](#footnote-215) The Subcommittee subsequently learned that Treasurer Loftis had not issued general obligation bonds since learning of the SEC investigation, commenced over one year prior. The Subcommittee finds that the failure to report this information appropriately and timely is a violation of 11-5-185.

Significantly, Treasurer Loftis was questioned about his duty to report pertinent information to the General Assembly on a number of occasions, but two provide important context to the violation that has occurred. In 2023, he assured the Subcommittee that he would contact the General Assembly if anything was amiss in his books.[[216]](#footnote-216) In 2024, he defiantly declared that reporting pertinent and valuable information is not his job.[[217]](#footnote-217) Regrettably, had the STO simply reported these issues as charged by statute, the resolution and conclusion of this matter would not still be at some undetermined point in the future. By violating his duty to report, Treasurer Loftis has misled the public, the General Assembly and investors about the state of South Carolina’s finances.

 2. In addition to dereliction of statutory duties, there exists a reasonable cause for removal of the State Treasurer: a breach of fiduciary duty.

Although not specifically stipulated in statute, it is commonly understood that the State Treasurer has a fiduciary duty to the people of the State. Treasurer Loftis has acknowledged this duty publicly and under oath. One with fiduciary duty is generally understood to be acting in such a way that will benefit another financially. In corporate settings, elements of fiduciary duty are the duty of care and the duty of loyalty. Acting with care requires performing functions in good faith, with best interests in mind, and in a way that an ordinarily prudent person would reasonably be expected to act. The duty of loyalty requires a principal to place the interests of the whole before any personal interest. The Subcommittee finds that Treasurer Loftis has breached his fiduciary duty as evidenced by the below actions.

a. Treasurer Loftis made financial decisions that were not in the best interest of the state, independent of any oversight body’s authority to encourage or discourage this decision and announced his actions in an inflammatory manner that put the state’s financial security at risk. As described elsewhere in this report, in January of this year, the Treasurer publicly announced that he was unable to issue general obligation bonds, and that hospitals and dorms were being financed with short term bonds. These public discussions predated his office’s alerting SFAA. The Subcommittee finds that the Treasurer did not provide timely notice of his concerns; he had already taken action to issue short-term indebtedness in 2024 despite his conclusion that they resulted in interest rate risk; and his efforts to notify SFAA and his conclusion that he had no responsibility to notify JBRC were neither timely nor sufficient to form an appreciation of his concerns.

b. Treasurer Loftis is currently in violation of federal law requiring repayment of federal funds and interest earned thereon.[[218]](#footnote-218) On March 18, 2025, the U.S. Treasury issued a Notice of Noncompliance related to Housing Assistance funds that were incorrectly directed to the State General Fund by the Treasurer.[[219]](#footnote-219) For over five months, Treasurer Loftis has refused to move the monies to the appropriate housing program fund so that State Housing can rebate them plus accrued interest to the U.S. Treasury, asserting that he does not have the statutory authority to do so. This flies in the face of countless other instances that the state has returned unspent funds and interest to the federal government and demonstrates that the Treasurer is not custodying funds with care. Furthermore, the Subcommittee is of the view that Treasurer Loftis should be expected to carry out the routine responsibilities of his role without the need for specific direction.

c. Treasurer Loftis has unnecessarily caused the expenditure of state resources in response to the Subcommittee investigation and the release of the AlixPartners report, acting without care or prudence. These expenditures include engagement of a crisis communication firm and securing an additional outside forensic accountant. The crisis communication firm had to prepare the Treasurer and his Chief of Staff to respond to the Subcommittee’s questions, none of which were out of the scope of the Treasurer’s responsibilities. [[220]](#footnote-220) At last check, the STO’s budget already includes $233,899 for communications staff, yet the Treasurer spent an additional $43,958 this fiscal year alone on the firm. Additionally, the STO involved a second forensic accountant to review financial information that also is part of the Treasurer’s responsibility, at least a portion of which is years old.[[221]](#footnote-221) On a related note, the engagement by the Treasurer of a forensic accountant in the years immediately following the completion of the banking conversion would have been most effective in resolving or expediting the appropriate resolution of the discrepancy. This additional spending belies the Treasurer’s stated preferred conservative approach to his duties.[[222]](#footnote-222)

d. Treasurer Loftis threatened to release sensitive state financial information and then took active steps to do so. On April 4, 2024, Treasurer Loftis sent the Subcommittee a letter instructing that he would publish this information electronically after notifying the Department of Administration. In it, he stated, “with respect to the electronic publication for public review and quarterly statements referenced in 11-5-120, we will begin posting on the State Treasurer’s website a detailed fund report. We alerted the Department of Administration so that the agency can take action to protect SCEIS and the State’s other informational and financial systems from added security risks created by the publication of such detailed information.” Members of the Subcommittee sought advice from state officials, engaged the Governor and the Director of SLED in an urgent attempt to prevent such a disclosure. Such reckless and cavalier behavior with the state taxpayer’s money demonstrates neither care nor loyalty to the people of South Carolina.

Finally, the Subcommittee finds that Treasurer Loftis lacks the competence to carry out his statutory duty. Over the course of the Subcommittee’s investigation, Treasurer Loftis demonstrated a fundamental inability to articulate the duties of the office, how he had effectively carried out those duties, and an unwillingness to learn from others how he might better serve the people of South Carolina. Some of the most significant gaps the Subcommittee observed were the following:

a. Treasurer Loftis was unable to recognize a significant error in his records.

b. Today, Treasurer Loftis still is unable to articulate what the $1.8 billion error is in his records and does not know how to correct that error.

c. Treasurer Loftis does not understand other granular financial matters that are fundamental to his office and its duties.

d. Treasurer Loftis does not comprehend the responsibility of the General Assembly to ensure good governance by periodic review of state agencies, and by extension, his responsibility to cooperate and collaborate to make the STO better.

The Subcommittee includes this grave concern here for further consideration by the body on whether that incompetence rises to the Constitutional standard of reasonable cause for removal.

To effectuate this removal, concurrent with this Final Report, the Subcommittee has drafted and plans to introduce a Joint Resolution calling for the removal the State Treasurer. The due process afforded him is aptly described in our State Constitutional language:

SECTION 3. Removal of officers by Governor on address of General Assembly.

For any willful neglect of duty, or other reasonable cause , which shall not be sufficient ground of impeachment, the Governor shall remove any executive or judicial officer on the address of two thirds of each house of the General Assembly: Provided, that the cause or causes for which said removal may be required shall be stated at length in such address, and entered on the Journals of each house: And, provided, further, that the officer intended to be removed shall be notified of such cause or causes, and shall be admitted to a hearing in his own defense, or by his counsel, or by both, before any vote for such address; and in all cases the vote shall be taken by yeas and nays, and be entered on the Journal of each house respectively.

This Report should be construed as the statement of the causes for the removal. Should additional causes come to the attention of the Subcommittee members, we will further notify the Treasurer and propose an amendment to our Joint Resolution accordingly.

**X. Conclusion**

The goal of the Subcommittee’s investigation was to ensure the security of the financial future of the state, but our state’s financial future is insecure with the current treasurer in office. Permitting Treasurer Loftis to continue in his position will cause possibly irreparable harm to the State Treasurer’s Office. The Subcommittee posits that likely any South Carolinian whose employee’s actions caused an error of this magnitude and who subsequently refused to take responsibility and rectify the error would not continue to employ that person.

The Subcommittee also has serious concerns that one of the parties responsible for this debacle remains in office during the remainder of an SEC investigation. Treasurer Loftis has made clear in spoken word, in printed word, and in both commission and omission of actions that he has not, and does not, intend to carry out the statutory duties of his office.

The level of ineptitude which has imbued this Treasurer’s time in office is not worthy of the citizens of our state, and his volatile temperament and angry demeanor degrade those who are charged to work with him to secure the financial standing of South Carolina. He has made perfectly clear that he cannot and will not collaborate on the directed actions suggested by multiple neutral experts who have reviewed this calamity through an apolitical lens. It is the strong recommendation of the Subcommittee that we do not consign the ongoing fiscal oversight – the banking and investment functions of our state - to continued incompetence. In sum: if the treasurer cannot keep track of the treasury, then he should not remain treasurer.

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**Motion Adopted**

 On motion of Senator MASSEY, the Senate agreed that if and when the Senate stands adjourned today, that it will adjourn to meet tomorrow morning at 11:00 A.M.

**THE SENATE PROCEEDED TO A CALL OF THE UNCONTESTED LOCAL CALENDAR.**

**THIRD READING BILL**

 S. 586 -- Senator Graham: A BILL TO AMEND ACT 172 OF 1995, RELATING TO THE KERSHAW COUNTY TRANSPORTATION COMMITTEE, SO AS TO PROVIDE THAT EACH MEMBER OF THE KERSHAW COUNTY TRANSPORTATION COMMITTEE SHALL RECEIVE NINETY DOLLARS FOR EACH MEETING AT WHICH HE IS IN ATTENDANCE AND THAT THE CHAIRMAN SHALL RECEIVE ONE HUNDRED AND SEVENTY-FIVE DOLLARS, AND TO PROVIDE THAT SUCH PAYMENTS SHALL NOT OCCUR MORE THAN EIGHTEEN TIMES EACH FISCAL YEAR.

 On motion of Senator GRAHAM

**Motion Adopted**

 On motion of Senator MASSEY, the Senate agreed to stand adjourned.

**ADJOURNMENT**

 At 10:01 P.M., on motion of Senator MASSEY, the Senate adjourned to meet tomorrow at 11:00 A.M.

\* \* \*

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1. Clip 16 [↑](#footnote-ref-1)
2. Exhibit 1 - S.C. Code Section 2-2-5(2). [↑](#footnote-ref-2)
3. Ibid - S.C. Code Section 2-2-30(D). [↑](#footnote-ref-3)
4. https://www.scstatehouse.gov/CommitteeInfo/senatefinance.php [↑](#footnote-ref-4)
5. Exhibit 2 – Letter from Comptroller General Gaines to Treasurer Loftis Oct. 31, 2023. [↑](#footnote-ref-5)
6. Exhibit 3 – Letter from Treasurer Loftis to Comptroller General Gaines Nov. 30, 2023. [↑](#footnote-ref-6)
7. Exhibit 4 – Letter from Comptroller General Gaines to Treasurer Loftis Dec. 12, 2023. [↑](#footnote-ref-7)
8. Exhibit 5 - Letter from Treasurer Loftis to Comptroller General Gaines Dec. 14, 2023. [↑](#footnote-ref-8)
9. Exhibit 6 - Letter from Chairman Grooms to Treasurer Loftis Feb. 1, 2024 [↑](#footnote-ref-9)
10. Exhibit 7 – Letter from Treasurer Loftis to Chairman Grooms, Feb. 8, 2024. [↑](#footnote-ref-10)
11. Exhibit 8 – Referenced Selections from the Testimony of George Kennedy, Feb. 15, 2024. [↑](#footnote-ref-11)
12. Exhibit 9 – Fox Carolina Interview with Treasurer Loftis, Feb. 29, 2024. [↑](#footnote-ref-12)
13. $194 million, Ibid. [↑](#footnote-ref-13)
14. Exhibit 10 – Letter from Chairman Grooms to Treasurer Loftis, Mar. 7, 2024. [↑](#footnote-ref-14)
15. Exhibit 11 – Letter from Treasurer Loftis to Chairman Grooms, Mar. 14, 2023. [↑](#footnote-ref-15)
16. Exhibit 12 – Letter from Treasurer Loftis to Chairman Grooms Mar. 25, 2024. [↑](#footnote-ref-16)
17. Exhibit 13 – Proviso 98.19 of the Fiscal Year 2025 Appropriations Act. [↑](#footnote-ref-17)
18. Exhibit 14 – Letter from Marcia Adams to Chairman Peeler, Sep. 30, 2025. [↑](#footnote-ref-18)
19. Exhibit 15 – Proviso 117.186 of the Fiscal Year 2025 Appropriations Act. [↑](#footnote-ref-19)
20. Exhibit 16 – Letter from Treasurer Loftis to Chairman Peeler, Jan. 6, 2025. [↑](#footnote-ref-20)
21. Exhibit 17: E-mails between STO, JBRC, and DOA, December 27, 2024 – January 24, 2025. [↑](#footnote-ref-21)
22. Exhibit 18 – Referenced Selections from Treasurer Loftis’s Testimony, Feb. 27, 2025, 00:42:21 [↑](#footnote-ref-22)
23. Exhibit 19 – State Treasury Forensic Accounting Review, Final Report, Jan. 15, 2025. [↑](#footnote-ref-23)
24. Exhibit 19, pg. 6. [↑](#footnote-ref-24)
25. Ibid, pg. 9. [↑](#footnote-ref-25)
26. Ibid, pg. 6. [↑](#footnote-ref-26)
27. Ibid, pgs. 15-20. [↑](#footnote-ref-27)
28. Exhibit 20 – House Ways & Means Committee Constitutional Subcommittee Hearing, Testimony of Treasurer Loftis, Jan. 29, 2025, 01:28:31. [↑](#footnote-ref-28)
29. Ibid, 01:29:43. [↑](#footnote-ref-29)
30. Ibid, 01:29:59. [↑](#footnote-ref-30)
31. Exhibit 21 – Emails between STO Leadership to Subcommittee Staff, Feb. 2025. [↑](#footnote-ref-31)
32. Exhibit 22 – Referenced Testimony from Constitutional Subcommittee Feb. 18, 2025, 00:04:02 [↑](#footnote-ref-32)
33. Exhibit 22, 00:39:19. [↑](#footnote-ref-33)
34. Ibid, 00:50:55. [↑](#footnote-ref-34)
35. Ibid, 00:51:09. [↑](#footnote-ref-35)
36. Ibid, 00:51:28. [↑](#footnote-ref-36)
37. Ibid, 00:52:58. [↑](#footnote-ref-37)
38. Ibid, 00:57:55. [↑](#footnote-ref-38)
39. Ibid, 01:02:42. [↑](#footnote-ref-39)
40. Ibid, 01:05:37. [↑](#footnote-ref-40)
41. Exhibit 23 – Letter from AlixPartners to Senate Finance Staff, Feb. 26, 2025. [↑](#footnote-ref-41)
42. Exhibit 22, 01:48:45. [↑](#footnote-ref-42)
43. Each fiscal year, the State Auditor in conjunction with an independent auditing firm audits the ACFR (also known previously as CAFR) and communicates any deficiencies in internal controls in the Reports. A deficiency is classified as either a “material weakness” or a “significant deficiency,” with the former being more severe. [↑](#footnote-ref-43)
44. Exhibit 24 - Fiscal Year 2016 Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. [↑](#footnote-ref-44)
45. Exhibit 25 - Fiscal Year 2017 Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. [↑](#footnote-ref-45)
46. Exhibit 22 – 01:33:43, 02:35:30, 02:57:00. [↑](#footnote-ref-46)
47. Exhibit 22, 01:25:55. [↑](#footnote-ref-47)
48. Exhibit 26 – Marketing Firm Invoices to the Office of the State Treasurer. [↑](#footnote-ref-48)
49. Exhibit 22 – 01:26:18. [↑](#footnote-ref-49)
50. Ibid, 01:26:21. [↑](#footnote-ref-50)
51. Ibid, 01:44:17. [↑](#footnote-ref-51)
52. Ibid, 03:14:28. [↑](#footnote-ref-52)
53. Exhibit 27 – Referenced Testimony from Feb. 20, 2025, Constitutional Subcommittee, 00:01:43. [↑](#footnote-ref-53)
54. Ibid, 00:04:00. [↑](#footnote-ref-54)
55. Exhibit 27, 00:05:32. [↑](#footnote-ref-55)
56. Ibid, 00:03:00. [↑](#footnote-ref-56)
57. Ibid, 00:06:54. [↑](#footnote-ref-57)
58. Ibid, 00:08:21-00:12:47. [↑](#footnote-ref-58)
59. Ibid, 00:15:29. [↑](#footnote-ref-59)
60. Exhibit 27, 00:28:05. [↑](#footnote-ref-60)
61. In his letter to Treasurer Loftis dated October 31, 2023, Comptroller General Gaines directed the State Treasurer to among other things “Prior to the end of Fiscal Year 2024, complete research of cash balances in Triple Zero Agencies [ACFR business areas] and Fund 30350993 that arose due to conversion; and after completing that research, then classify (or reclassify) those amounts of money to the appropriate Fund(s) and general ledger accounts – all in accordance with Notes 9 and 10 of the STO Signature Page for the [STO’s] Fiscal Year 2023 ACFR Closing Package.” Thereafter, by letter dated December 12, 2023, to Treasurer Loftis, Comptroller General Gaines observed that “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.” [↑](#footnote-ref-61)
62. Exhibit 27, 00:17:33. [↑](#footnote-ref-62)
63. Ibid, 00:12:55. [↑](#footnote-ref-63)
64. Ibid, 00:45:57 - 00:47:37. [↑](#footnote-ref-64)
65. Exhibit 28 – Overview of Issues Surrounding SCEIS Fund 30350993 and Other Allegations, pg. 1. [↑](#footnote-ref-65)
66. Exhibit 29 – Fund 30350993 Report. [↑](#footnote-ref-66)
67. Clips 7, 8, 10, 12, 16. [↑](#footnote-ref-67)
68. Exhibit 30 - Cash Management Improvement Act of 1990. [↑](#footnote-ref-68)
69. Exhibit 31 – Letter from Mr. George Kennedy to Chairman Grooms, Feb. 24, 2024. [↑](#footnote-ref-69)
70. Exhibit 28, pg. 53. [↑](#footnote-ref-70)
71. Exhibit 32 – Senator McElveen Questioning Treasurer Loftis Regarding Adherence to S.C. Code 11-5-120, Apr. 2, 2024. [↑](#footnote-ref-71)
72. Sen. McElveen states “I’m not giving instructions” at 00:59:24. [↑](#footnote-ref-72)
73. Exhibit 28, pg. 8. [↑](#footnote-ref-73)
74. Exhibit 19, pg. 49. [↑](#footnote-ref-74)
75. Exhibit 19, pg. 10. [↑](#footnote-ref-75)
76. Exhibit 23. [↑](#footnote-ref-76)
77. Exhibit 33 – Classification of Entries into Fund 30350993. [↑](#footnote-ref-77)
78. Exhibit 28, cover page. [↑](#footnote-ref-78)
79. Exhibit 18 - Referenced Testimony from Feb. 27, 2025, Constitutional Subcommittee, 00:07:55. [↑](#footnote-ref-79)
80. Ibid, 00:10:41. [↑](#footnote-ref-80)
81. Ibid, 00:04:38. [↑](#footnote-ref-81)
82. Ibid, 00:15:30. [↑](#footnote-ref-82)
83. Exhibit 18, 00:18:54. [↑](#footnote-ref-83)
84. Ibid, 00:20:51. [↑](#footnote-ref-84)
85. Ibid, 00:21:21. [↑](#footnote-ref-85)
86. Ibid, 00:22:29. [↑](#footnote-ref-86)
87. Ibid, 01:28:22. This is an unusual characterization of this fund, and its meaning within this context is not clear. [↑](#footnote-ref-87)
88. Ibid, 01:39:31 [↑](#footnote-ref-88)
89. Ibid, 01:36:58. [↑](#footnote-ref-89)
90. Exhibit 18, 01:12:55. [↑](#footnote-ref-90)
91. Exhibit 34 – Letter from Treasurer Loftis to Chairman Grooms, Apr. 4, 2024. [↑](#footnote-ref-91)
92. Exhibit 18, 01:14:29 [↑](#footnote-ref-92)
93. Exhibit 35 – Research &Letter from Treasurer Loftis to Chairman Grooms 2, Apr. 4, 2024. [↑](#footnote-ref-93)
94. Ibid. [↑](#footnote-ref-94)
95. Exhibit 18, 02:00:25. [↑](#footnote-ref-95)
96. Exhibit 36 – First SFAA Agenda Sent via electronic communication, Feb. 27, 2025. [↑](#footnote-ref-96)
97. Exhibit 37 – Drafted SFAA Agenda Item 2, sent via electronic communication Feb. 28, 2025. [↑](#footnote-ref-97)
98. Exhibit 38 – Letter from Treasurer Loftis to Chairman Grooms, Mar. 3, 2025. [↑](#footnote-ref-98)
99. Ibid. [↑](#footnote-ref-99)
100. Exhibit 39 – S. 253, Signed by Governor McMaster on Mar. 7, 2025. [↑](#footnote-ref-100)
101. Exhibit 40 – Letter from Treasurer Loftis to Senator Grooms, Mar. 10, 2025. [↑](#footnote-ref-101)
102. Treasurer Loftis reported attending 14 of 15 Work Group meetings. [↑](#footnote-ref-102)
103. Treasurer Loftis reported attending 3 of 18 AlixPartners meetings (those to which he was invited). [↑](#footnote-ref-103)
104. Treasurer Loftis reported $6,489,110 are allocated for STO salaries. [↑](#footnote-ref-104)
105. Treasurer Loftis stated this matter had already been addressed with a letter to Chairman Grooms dated Mar. 3, 2025. Please see Exhibit 40. [↑](#footnote-ref-105)
106. Treasurer Loftis reports the SCEIS Oversight Committee as underutilized. [↑](#footnote-ref-106)
107. Exhibit 41 – Letter from Ms. Clarissa Adams to Senator Grooms, Mar. 11, 2025. [↑](#footnote-ref-107)
108. Exhibit 20, timestamp. [↑](#footnote-ref-108)
109. Exhibit 36. The Subcommittee initially received a detailed version of the agenda item from the STO, but a subsequent email stated that no one had seen or been provided the detailed description, and the placeholder page should be substituted as documentation of the agenda item request. [↑](#footnote-ref-109)
110. Exhibit 42 – Transcript of SFAA and AlixPartners’s Mar. 11, 2025, Testimony, 00:03:04-00:05:10 [↑](#footnote-ref-110)
111. Ibid, 00:03:57. [↑](#footnote-ref-111)
112. Ibid, 00:06:37. [↑](#footnote-ref-112)
113. Ibid, 00:17:04. [↑](#footnote-ref-113)
114. Exhibit 42, 00:27:09. [↑](#footnote-ref-114)
115. Ibid, 00:28:12. [↑](#footnote-ref-115)
116. Ibid, 00:29:03. [↑](#footnote-ref-116)
117. Ibid, 00:29:45. [↑](#footnote-ref-117)
118. Ibid, 00:30:20. [↑](#footnote-ref-118)
119. Ibid, 01:02:44. [↑](#footnote-ref-119)
120. Ibid, 00:34:05. [↑](#footnote-ref-120)
121. Ibid, 00:34:23. [↑](#footnote-ref-121)
122. Exhibit 42, 00:36:47. [↑](#footnote-ref-122)
123. Ibid, 00:37:01, 00:37:29. [↑](#footnote-ref-123)
124. Ibid, 00:37:54. [↑](#footnote-ref-124)
125. Ibid, 00:39:16. [↑](#footnote-ref-125)
126. Ibid, 00:39:21. [↑](#footnote-ref-126)
127. Ibid, 00:40:46. [↑](#footnote-ref-127)
128. Ibid, 00:32:09. [↑](#footnote-ref-128)
129. Ibid, 00:32:17. [↑](#footnote-ref-129)
130. Ibid, 00:33:01. [↑](#footnote-ref-130)
131. Ibid, 00:41:21. [↑](#footnote-ref-131)
132. Ibid, 00:42:22. [↑](#footnote-ref-132)
133. Exhibit 42, 00:48:36. [↑](#footnote-ref-133)
134. Ibid, 00:50:00; 00:50:10. [↑](#footnote-ref-134)
135. Ibid, 00:50:22. [↑](#footnote-ref-135)
136. Ibid, 01:19:31. [↑](#footnote-ref-136)
137. Ibid, 01:19:41. [↑](#footnote-ref-137)
138. Exhibits 11, 21, 27 & 33. [↑](#footnote-ref-138)
139. Exhibit 28, pg. 2 (Letter from Loftis). [↑](#footnote-ref-139)
140. Exhibit 42, 00:54:28. [↑](#footnote-ref-140)
141. Ibid, 00:54:52. [↑](#footnote-ref-141)
142. Ibid. [↑](#footnote-ref-142)
143. Exhibit 42, 01:00:36. [↑](#footnote-ref-143)
144. Ibid, 00:56:58. [↑](#footnote-ref-144)
145. Ibid, 00:55:58. [↑](#footnote-ref-145)
146. Ibid, 00:56:20. [↑](#footnote-ref-146)
147. Ibid, 01:32:09. [↑](#footnote-ref-147)
148. Exhibit 42, 01:32:34-01:33:09. [↑](#footnote-ref-148)
149. Ibid, 01:33:43. [↑](#footnote-ref-149)
150. Ibid, 01:34:12. [↑](#footnote-ref-150)
151. Ibid, 01:34:25. [↑](#footnote-ref-151)
152. Ibid, 01:34:39. [↑](#footnote-ref-152)
153. Ibid, 01:34:53. [↑](#footnote-ref-153)
154. Ibid, 01:35:07. [↑](#footnote-ref-154)
155. Ibid, 01:35:16. [↑](#footnote-ref-155)
156. Ibid, 01:35:35. [↑](#footnote-ref-156)
157. Ibid, 01:35:53. [↑](#footnote-ref-157)
158. Exhibit 43 – Letter from Treasurer Loftis to President Alexander and Chairman Peeler, Mar. 14, 2025. [↑](#footnote-ref-158)
159. Ibid. [↑](#footnote-ref-159)
160. Ibid. [↑](#footnote-ref-160)
161. Exhibit 44 – Letter from Treasurer Loftis to Senator Grooms, Mar. 12, 2025. [↑](#footnote-ref-161)
162. Neither the Subcommittee nor AlixPartners dispute this fact. While the CGO did provide guidance to the STO on resolving the $1.8 billion, they were not responsible for the erroneous conversion of ACFR business areas. Evidence from AlixPartners and the Subcommittee's research confirms that it was the STO that mistakenly converted the $1.6 billion from ACFR business areas. [↑](#footnote-ref-162)
163. Clips 7, 8, 10, 12, 16. [↑](#footnote-ref-163)
164. Exhibit 9. [↑](#footnote-ref-164)
165. Clip 16. [↑](#footnote-ref-165)
166. Exhibit 18, 00:18:54 (re-references Footnote 83-86). [↑](#footnote-ref-166)
167. Ibid, 00:43:32 (Re-references footnotes 97-98). [↑](#footnote-ref-167)
168. Exhibit 18, 00:43:47 (Re-references footnotes 97-98). [↑](#footnote-ref-168)
169. Exhibit 45 – Treasurer's Transition Team Report, Feb. 2011. [↑](#footnote-ref-169)
170. Ibid. [↑](#footnote-ref-170)
171. Ibid, p. 6. [↑](#footnote-ref-171)
172. Ibid, p. 69. [↑](#footnote-ref-172)
173. Exhibit 46 - Project charter, NVEST. [↑](#footnote-ref-173)
174. Exhibit 46. [↑](#footnote-ref-174)
175. Exhibit 47 – General Deposit Bank Accounts Project Charter. [↑](#footnote-ref-175)
176. The legacy STO Financial Management System. [↑](#footnote-ref-176)
177. Exhibit 47. [↑](#footnote-ref-177)
178. Exhibit 48 – Proviso 98.2 of the Fiscal Year 2025 Appropriations Act. It is noteworthy to mention that the exact language of this proviso has appeared in every Appropriations Act since FY2013. [↑](#footnote-ref-178)
179. Exhibit 48. [↑](#footnote-ref-179)
180. For context, the Treasurer’s Office used Fund 30350993 to plug in any differences between the General Ledger in SCEIS and the bank statements, believing that it would all clear out to a zero sum upon completion of the conversion. [↑](#footnote-ref-180)
181. Exhibit 49 - Selected Accounts Variation Report Fund 30350993 (Referenced as Exhibit 7 in Interim Report). [↑](#footnote-ref-181)
182. Exhibit 19. [↑](#footnote-ref-182)
183. Exhibit 31. [↑](#footnote-ref-183)
184. Exhibit 19. [↑](#footnote-ref-184)
185. Ibid, pg. 44. [↑](#footnote-ref-185)
186. Exhibit 50 – Email 27. [↑](#footnote-ref-186)
187. As substantiated by identities of the SCEIS users that processed the conversion entries. The Subcommittee has received verification of the identities of these users from two separate sources [AlixPartners corroborated in testimony during the Subcommittee meeting on March 11, 2025, that the one entry made by the CGO to Fund 30350993 in 2023 was an attempt to clear the $1.8B balance, which did not produce the expected results, and was immediately reversed]. [↑](#footnote-ref-187)
188. Exhibit 24. [↑](#footnote-ref-188)
189. Ibid, Letter from Deputy Treasurer Morris. [↑](#footnote-ref-189)
190. Ibid. [↑](#footnote-ref-190)
191. Exhibit 25, letter from Deputy Treasurer Morris. [↑](#footnote-ref-191)
192. Comprehensive Annual Financial Report (CAFR) was formerly used when referencing the ACFR. [↑](#footnote-ref-192)
193. Exhibit 25, letter from Deputy State Treasurer Morris. [↑](#footnote-ref-193)
194. Ibid. [↑](#footnote-ref-194)
195. Ibid. [↑](#footnote-ref-195)
196. Exhibit 51 – Email 17. [↑](#footnote-ref-196)
197. Ibid. [↑](#footnote-ref-197)
198. Exhibit 50. [↑](#footnote-ref-198)
199. Exhibit 50. [↑](#footnote-ref-199)
200. Prior period adjustments are modifications to made to prior reporting periods that have already been accounted for. They can be made for a variety of reasons, including errors, changes in accounting principles, changes in estimates, or to correct a prior error. In this case, a prior period adjustment was suggested by the STO to write down the balances of the General Fund by $1.8B. This option was not ultimately chosen, because the funds were expected to eventually clear the conversion fund. [↑](#footnote-ref-200)
201. Exhibit 38. [↑](#footnote-ref-201)
202. Exhibit 19 - AlixPartners Recommendation 4, pg. 37. [↑](#footnote-ref-202)
203. The Subcommittee's research indicates that the Treasurer's Office was capable of performing this type of reconciliation before fully transitioning to SCEIS. The last instance of generating a detailed report at this level occurred around FY2015. [↑](#footnote-ref-203)
204. Exhibit 52 - Proviso 98.14 of the Fiscal Year 2025 Appropriations Act [↑](#footnote-ref-204)
205. Exhibit 56. [↑](#footnote-ref-205)
206. Exhibit 18, 00:41:44 (Re-references footnote 135). [↑](#footnote-ref-206)
207. Exhibit 1, S. C. Code Section 1-6-10 *et seq.* [↑](#footnote-ref-207)
208. In brief, the State Treasurer’s Office beginning agency base budget for development of the FY2025-26 budget is approximately $2.6 million, and currently, the agency has authorization to spend over $10.3 million of ‘other’ funds. Additionally, by budget provisos, the Treasurer has been authorized to create and custody a number of special funds for other state entities, not all of which have reporting requirements. [↑](#footnote-ref-208)
209. Exhibit 1, S. C. Code Section 2-15-10 *et seq.* [↑](#footnote-ref-209)
210. Exhibit 18, 00:34:51. [↑](#footnote-ref-210)
211. Exhibit 51. [↑](#footnote-ref-211)
212. Exhibit 50. [↑](#footnote-ref-212)
213. Exhibits 24 & 25. [↑](#footnote-ref-213)
214. AlixPartners has explained [in testimony before the Subcommittee on March 11, 2024,] that if the STO had been reporting cash and investments by fund, the STO likely would have recognized the error causing the $1.8 billion and could have addressed the issue during conversion or shortly thereafter. In other words, reconciliation at this level of detail likely would have and should in the future alert the STO of discrepancies between SCEIS and the banks, and promote timely resolution of exceptions. [↑](#footnote-ref-214)
215. Exhibit 20, 01:30:06. [↑](#footnote-ref-215)
216. Clip 4. [↑](#footnote-ref-216)
217. Clip 3. [↑](#footnote-ref-217)
218. Exhibit 57 – Letter from Director Hutto, Sep. 10, 2024. [↑](#footnote-ref-218)
219. Exhibit 58 – Housing emails. [↑](#footnote-ref-219)
220. Exhibit 28, pg. 24. [↑](#footnote-ref-220)
221. Exhibit 53 – Letter from Clarissa Adams to Director Adams, Jan. 24, 2025.

 Exhibit 54 – Letter from Director Adams to Clarissa Adams, Jan. 26, 2025.

 Exhibit 55 – Emails between DOA & STO Re: STO Forensic Accountant [↑](#footnote-ref-221)
222. Exhibit 18, 02:21:54. [↑](#footnote-ref-222)