



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

March 14, 2025

VIA ELECTRONIC MAIL

The Honorable Lawrence K. "Larry" Grooms
Chairman of the Constitutional Subcommittee of the Senate Finance Committee
313 Gressette Building
Columbia, South Carolina 29201

Re: AlixPartners Testimony before the Subcommittee on March 11, 2025

Dear Chairman Grooms and Subcommittee Members:

I am writing to provide a brief response to the testimony by AlixPartners LLP representatives Susan Markel and David Bligh, given before the Subcommittee on March 11, 2025.

As an initial matter, I note that Mr. Bligh and Ms. Markel have confirmed in their testimony several of my longstanding assertions. First, the State Treasurer's Office books reconcile to the bank. Second, the balance represented in SCEIS Fund 30350993 was not hidden by anyone or from anyone. Third, decisions which ultimately led to the balance in SCEIS Fund 30350993 appear to have been made in good faith, and ultimately the State Treasurer's Office ("STO"), the Comptroller General's Office ("CGO"), the Department of Administration, and the State Auditor's Office share responsibility for those decisions.

While I agreed with the majority of Ms. Markel and Ms. Bligh's testimony, I would like to respond to their comments regarding the *State Treasurer's Office Overview of Issues Surrounding SCEIS Fund 30350993 and Other Allegations* ("STO Report"), and the *State Treasury Forensic Accounting Review Final Report* ("AP Report").

The Origin of the Appropriations in SCEIS Fund 30350993

Mr. Bligh testified on the AP Report's conclusion regarding the origin of the non-cash entries that were ultimately incorrectly recorded as cash in SCEIS Fund 30350993. The AP Report provides as follows on page 10:

We determined that approximately \$1.6 billion of the \$1.8 Billion did not represent real cash. It is attributed to balances in certain ACFR-Only business areas ("ACFR BAs") that were incorrectly recorded to Fund 30350993 during Phase 2 of the bank conversion. These balances represent a summation of adjustments previously recorded by the CGO during the ACFR preparation process, and as

such, the failure to recognize what these accounts represented had the unintended consequence of artificially inflating the balance in Fund 30350993.

Mr. Bligh clarified that the entries that comprised the ACFR Business Areas were not problematic in and of themselves, but became incorrect when they were transferred into SCEIS Fund 30350993 as cash, resulting in a \$1.6 billion balance. He testified that the CGO did not perform the transferring entries, and that the entries were performed by two STO employees, one Department of Administration employee, and one set of entries was “batched” and not attributable to a specific SCEIS user.

I believe Mr. Bligh’s testimony is generally consistent with the facts presented in the STO Report, which acknowledges that the STO made some of the entries in question. However, I would add that the STO Report has provided documentary evidence showing that the CGO was directly involved in, and directed STO to make, these entries. See STO Report, pp. 13-19; Exhibits 3, 6.

Footnote 120

In her testimony, Ms. Markel testified that the STO Report’s interpretation of footnote 120, appearing on page 61 of the AP Report, is inaccurate. The footnote states: “The CGO did not accept our offer to review a more recent version of the Crosswalk (i.e. fiscal year 2022 or 2023). We therefore cannot comment on whether the documentation had improved since 2020.” Ms. Markel indicates that the offer to review the crosswalk referenced in footnote 120 was specific to a particular area of review (“CGO Adjustments”), and that the CGO’s staff indicated that its later crosswalks would be no different from the 2020 crosswalk, and that there was no point in having AlixPartners review them.

While I appreciate Ms. Markel’s clarification, it does not appear to me that her testimony contradicts the basis of the STO Report discussion on this matter. (See pp. 22-23). The CGO’s crosswalks, particularly as it relates to ACFR adjustments for Fiscal Year 2022 (the year that the Comptroller General released its \$3.5 billion restatement to ACFR General Fund cash), are a matter of significant concern, and they should have been reviewed in their entirety.

The CGO’s “March 2024 Memo”

Additionally, Mr. Bligh testified that the STO Report erred factually in its interpretation and characterization of the AP Report description regarding the CGO’s “March 2024 memo,” which incorrectly states that the STO requested approximately \$324 million to be moved into SCEIS Fund 30350993. The AP report provides the following description of this memo on page 42:

A current CGO employee drafted a memo in March 2024 that explains that the entry was requested by the STO. The memo explains, that during the STO’s cash conversion from STARS to SCEIS, the STO could not convert funds held in a certain general

The Honorable Lawrence K. "Larry" Grooms
March 14, 2025

ledger account because they did not have access. It then explained how the STO requested that the CGO (who had control over those accounts) move those funds to a general ledger account that the STO had access to so they could include the funds in the accounts they did not have access to in the conversion. Despite this recounting, we identified other information which suggests that the request was made by the CGO, *potentially undermining the credibility of the March 2024 memo.*

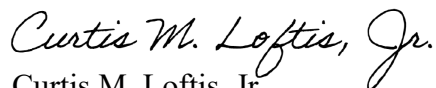
(emphasis added). Mr. Bligh indicates that the CGO didn't "provide" AlixPartners with the memo, but that AlixPartners discovered it on their own, and that AlixPartners does not believe the March 2024 memo represented an attempt to deceive them.

While I am relieved to learn that AlixPartners does not believe the CGO intended to mislead them, it is unclear to me what was intended by including a reference to this memo in the AP Report, if not to raise a concern about the credibility of the information CGO provided, or regarding the existence of the March 2024 memo. AlixPartners references only one memo in the entire AP Report, and it happens to be the CGO's March 2024 memo which falsely blames the STO for requesting a \$324 million transfer into SCEIS Fund 30350993. The fact that AlixPartners "found" the March 2024 memo is hardly a defense of the CGO's creation of a memo falsely blaming STO for an incorrect entry that the CGO directed.

In closing, the STO Report represents a significant effort by our staff to provide a thorough and evidentiarily supported response to questions surrounding SCEIS Fund 30350993. While I was disappointed to learn that Ms. Markel and Mr. Bligh disagreed with even a small part of the STO Report, I am relieved to know that their disagreement is primarily a matter of interpretation rather than any significant factual discrepancy.

Thank you in advance for your consideration of my response to testimony.

Sincerely,



Curtis M. Loftis, Jr.
South Carolina Treasurer

CC:

The Honorable Wes Climer
The Honorable Stephen L. Goldfinch
The Honorable Brad Hutto
The Honorable Margie Bright Matthews
The Honorable Rex F. Rice
The Honorable Ronnie A. Sabb
The Honorable Tom Young, Jr.