

# Understanding the \$1.8B Conversion Entries

The following key points highlight inaccuracies that were presented in the Senate Finance Constitutional Subcommittee's Interim Report.

*As part of the state's implementation of a new accounting system, the South Carolina Enterprise Information System (SCEIS), a collaborative effort took place over multiple years with many partners. Conversion entries were made to accurately record bank balances within SCEIS. The handling of the conversion entries, which occurred almost a decade ago, was a joint effort and all agreed on how to manage the issue. There is absolutely no state money missing, gained, or lost – all of the assets we manage have been reconciled and cross-checked with our bank partners and independently verified by outside auditors.*

## What are the \$1.8B Conversion Entries?

The \$1.8B in SCEIS resulted from a decision made by four state agency partners to net thousands of transactions as a result of the State's cash conversion project. The conversion entries were audited by a third-party vendor and everyone has been aware of its existence and the funds remaining in it.

Comptroller General's Office ✓

Department of Administration ✓

State Treasurer's Office ✓

State Auditor's Office ✓

## Was the balance missing or lost?

The conversion entries have been accounted for and are fully visible in SCEIS, the state's accounting system. The \$1.8B conversion entries were confirmed by all four central state agencies and the external auditor.



## Development of SCEIS Fund 30350993

### All parties involved

SCEIS Fund 30350993 was created by the Department of Administration with the approval of the Comptroller General's Office, State Auditor and others in 2014.

### Excluded

The CGO coded Fund "993" to be excluded from the ACFR.

### Collaborated and Directed

The CGO collaborated with and directed the STO to use Fund "993" to account for the movement of cash and investments during the state's conversion to the SCEIS system.

### CGO Adjustments

The CGO originally made adjustments in certain ACFR-only business areas that were recorded by the STO to Fund "993" that did not net to zero upon completion of the conversion as intended.

### Without Consultation

The Comptroller General decided- without consulting the STO- to apply the \$1.8B of Conversion Entries recorded in Fund "993" to the ACFR General Fund in the FY 2022 restatement.

### Access

The Comptroller General initiated test transactions in Fund "993" without notification to the STO.

### No hidden or missing money

The STO has worked with our banks and independent auditors, who have accounted for every dollar we manage. No money has been hidden, and no money has been missing. Our assets are properly collateralized and protected.



### Liquidity

The STO reported a positive bank balance as of June 30, 2023 and did not sell a single security from the General Fund on June 30, 2023. The STO's Comprehensive Investment Plan requires a minimum of 10% liquidity in STO's portfolios on a daily basis and bank balances were never overdrawn.

### No release of sensitive financial data

The Treasurer's office would never subject the State to exposure or fraud by releasing sensitive data. The STO consulted with numerous attorneys, law enforcement agencies and the Department of Administration, all of whom confirmed the office's concern that publicizing such information would open the state to undue risk.



### Kept external partners informed

Our external partners, including banks, investment agencies, credit rating agencies and auditors, were all kept abreast of the situation in order to maintain trust and retain the State's high credit ratings which are vital for its ability to borrow funds at lower rates while saving taxpayer dollars.



### Commitment to Transparency



*State Treasurer Curtis Loftis has always remained committed to accountability and transparency in regards to the State's financial management. The agency's top priority is to ensure the STO's statutorily driven responsibilities, including the daily management of nearly \$75B in public funds, issuance of the State's debt and administration of other established programs, are executed as efficiently and effectively as possible for the citizens of South Carolina.*