

AGENCY NAME:	Office of the State Inspector General		
AGENCY CODE:	25	SECTION:	093

**Fiscal Year 2015-16
Accountability Report**

SUBMISSION FORM

AGENCY MISSION	<p>The SIG’s statutory mission is to investigate and address allegations of “fraud, waste, abuse, mismanagement, misconduct, and wrongdoing” within the Executive Branch consisting of 100 separate agencies, commissions, boards, and universities; annual expenditures exceeding 26 billion dollars; and 60,000 employees. The general mission of an Inspector General was well described by John Ward, the father of the first state SIG Office in Massachusetts (1981), “<i>The basic concept behind the Office of the Inspector General is that any institution, corporation, university, let alone the institution of government, must build into itself a mechanism for self-criticism and self-correction.</i>” He also astutely identified the SIG’s role as, “<i>that vast middle ground between the ability to review all state transactions to a limited degree without the power to investigate [i.e., the Auditor], and the power to investigate allegations of fraud on a case-by-case basis [i.e., the Attorney General].</i>”</p> <p>This broad mission is translated into two strategic objectives: 1) maintaining a high integrity workforce; and 2) increase the cost/effectiveness of Executive Branch operations.</p> <p>The SIG <u>operationalizes</u> these strategic objectives through a tactical strategy of selecting fraud, misconduct, and waste investigations based on:</p> <ol style="list-style-type: none"> 1) significantly impacting the public’s confidence in the integrity/effectiveness of State government and/or causing a significant disruption to an agency carrying out its mission; 2) the highest impact when considering the probable individual case outcomes in terms of effectiveness (dollars save/waste prevented) or seriousness of integrity allegation; 3) proactive risk assessments of waste in the Executive Branch, such as the \$2.7 billion Medicaid managed care contract based on risk identified in General Accounting Office (GAO) reports; and 4) potential lessons learned that could be extrapolated to identify root causes of problems/deficiencies to drive positive change, preferably on a statewide basis.
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AGENCY VISION	<p>The SIG uses its authorities, capabilities, and proactive posture to:</p> <ul style="list-style-type: none"> • provide the State with a unique investigative/audit asset to objectively, as well as quickly, address integrity or ineffectiveness issues impacting the public's confidence in State government and causing significant disruption to an agency carrying out its mission; • demonstrate a willingness to engage integrity and ineffectiveness issues creates a deterrent for misconduct and mismanagement, as well as an effective tool to address issues previously unaddressed by fixing accountability with recommendations to drive positive change; and • change the Executive Branch management culture to a continuous improvement model using the simple benchmark of taxpayer value, which challenges State government's greatest risk of complacency, which can easily seep into a governmental environment.
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Please state yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.

RESTRUCTURING RECOMMENDATIONS:	No
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Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Patrick J. Maley	803/896-4721	patrickmaley@oig.sc.gov
SECONDARY CONTACT:	George Davis	803/896-4701	georgedavis@oig.sc.gov

I have reviewed and approved the enclosed FY 2015-16 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN AND DATE):	[REDACTED]
(TYPE/PRINT NAME):	Patrick J. Maley

BOARD/CMSN CHAIR (SIGN AND DATE):	Not applicable
(TYPE/PRINT NAME):	Not applicable

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AGENCY’S DISCUSSION AND ANALYSIS

The SIG optimally executes its mission through fraud, misconduct, and waste case selections using the following strategies to select cases consistent with resources:

- 1) significantly impacting the public’s confidence in the integrity/effectiveness of State government and/or causing a significant disruption to an agency carrying out its mission;
- 2) the highest impact when considering the probable individual case outcomes in terms of effectiveness (dollars save/waste prevented) or seriousness of integrity allegation;
- 3) proactive risk assessments of waste in the Executive Branch, such as the \$2.7 billion Medicaid managed care contract based on risk identified in General Accounting Office (GAO) reports; and
- 4) potential lessons learned that could be extrapolated to identify root causes of problems/deficiencies to drive positive change, preferably on a statewide basis.

The SIG conducted 10 reviews which had a combination of time sensitivity due to impacting the public’s confidence and high impact nature; five reviews based on a SIG proactive risk assessment of waste; seven reviews of serious misconduct with six pertaining to agency executives; and six statewide lessons learned and two statewide issues needing State leadership attention to address waste in the Executive Branch. It also should be noted the SIG operated at 10% below its investigative manpower level due to providing an investigator for six months to serve on the Governor’s Flood Recovery Task Force.

Reviews (10) Addressing High Impact Issues Often Impacting Public Confidence in State Government

- Review titled, “*Review of Two Issues at the Long-Term Commitment Facilities, Department of Juvenile Justice: 1) Safety Threat to Employees & Juveniles; and 2) Event Reporting Process Integrity Allegations,*” pertained to issues identified in the title. The safety threat to juveniles and staff at the Long-Term Commitment Facilities (LTCF) was assessed as a “high.” Five safety themes emerged from the interviews: lack of consequences for juveniles; systemic gang mentality; chronic verbal abuse of staff; low security morale & problematic engagement with juveniles; and heightened safety threat of physical altercation. Staff generally attributed these increased safety issues to DJJ’s well-intended new strategy to implement a more therapeutic approach at the LTCF, particularly the Balanced and Restorative Justice Model (BARJ) of adjudicating juvenile conduct through community conferences. Integrity allegations of staff underreporting, misreporting facts, or destroying reports in DJJ’s event reporting process were unfounded. However, the event reporting system was determined to be inefficient and ineffective to meet DJJ’s operational needs. DJJ’s change management plan developed during the SIG’s review was examined and determinable reasonable, but DJJ was reminded a good plan/strategy does not equate to success. Execution success requires fixing accountability with a single leader and closely monitoring results to adjust as needed until desired results are obtained. This report was completed in 45 days due to the seriousness of the allegations impacting safety and employee wrongdoing, both of which were undermining the public’s confidence in State government. Findings & recommendations accepted by DJJ. (link at: <http://oig.sc.gov/Documents/Review%20of%20Safety%20Threat%20and%20Event%20Reporting%20Process%20at%20the%20Department%20of%20Juvenile%20Justice%20corrected.pdf>)
- Report titled, “*Financial Analysis and Investigative Support to Lander University II,*” pertained to the second major SIG investigation at Lander University using a forensic accounting analysis of a variety of schemes conducted by an accounting supervisor. The SIG’s analysis determined \$337,000 was embezzled over a ten year period. The subject is awaiting trial with a plea likely. (link at: <http://oig.sc.gov/Documents/Lander%20Financial%20Analysis%20Report-DRAFT%20Web%20Copy.pdf>)

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- Review titled, “*Allegation of Improper Application and Accounting of Housing Assistance Payments (HAP) by Service Providers under Contract with the Department of Disability and Special Needs (DDSN)*,” pertained to concerns/suspicious by credible stakeholders that DDSN was not going to appropriately follow-up on its Internal Audit Unit’s significant finding regarding the application of HAP. The SIG partnered with a selected independent CPA tasked with the detail audit work. The SIG’s role was a quality control/assurance of a fair, thorough, and transparent review given both the sensitivities stirred from the concerns/suspicious and a visible signal to all stakeholders, many facing a potential liability, that this issue would be followed through to a resolution. The expansive review examined the 39 providers contracted with DDSN serving the disabled throughout the state. Audit testing ultimately identified 10 providers misapplying HAP. During the extensive review, 329 disabled consumers were identified as being overcharged \$1.8 million, which will be repaid to consumers. Additionally, the reviewed identified additional errors by providers establishing monthly charges for consumers in excess of a million dollars. Findings and recommendations were accepted by DDSN. (link at: <http://oig.sc.gov/Documents/Review%20of%20Improper%20Application%20of%20HAP%20Payments%20by%20DDSN%20Service%20Providers.pdf>)
- Report titled, “*Review of the Community Residential Care Facilities (CRCF) Program, Department of Health and Environmental Control (DHEC)*,” identified that 6-10% of the 17,000 vulnerable elderly and disabled customers living in CRCFs were living in systemically unsatisfactory conditions. DHEC’s inspection process was ineffective in addressing the responsible CRCF providers, which resulted in these vulnerable customers living in unsatisfactory conditions while the DHEC inspection process churned endlessly without success. DHEC readily accepted the SIG’s findings and recommendations, which focused on establishing a risk based audit approach to separate recalcitrant providers into a “high risk” category. The “high risk” category received additional DHEC support, but also was subject to intensive audits in a compressed time frame. These providers could either improve or failure would establish a basis for timely adjudication and removal of clients from unsatisfactory conditions. The process was designed to establish certainty of consequences which prevents offenses. (link at: <http://oig.sc.gov/Documents/DHEC%20CRCF%20Final%20Report%2003012016%20Rev%202.pdf>)
- Review titled, “*Lack of Adequate Management Controls in Rehabilitative Behavioral Health Services (RBHS), Department of Health & Human Services (DHHS)*,” pertained to the fraud, waste, and abuse caused by RBHS moving in July 2014 from a “high” management control environment in its sister State agencies to a “low” management control environment at DHHS. This low control environment had the noteworthy goal of maximizing beneficiary access to private providers, but directly led to dramatic increases in RBHS Medicaid expenditures from a \$2 million/month baseline to a peak of \$9.95 million/month (391% increase) in 10 months. This generated 64 RBHS provider fraud and abuse investigations with 30 cases currently pending; 13 fraud case referrals to the South Carolina Attorney General; terminated two providers for failure to provide records; made \$6 million in claims against providers for fraud or waste; and suspended six providers based on a determination of a credible allegation of fraud. In February 2016, the DHHS decided to move the RBHS to Manage Care Organizations (MCO) as the SIG’s fieldwork was nearing completion. DHHS should be applauded for this difficult decision as a quality option to potentially better manage costs and outcomes. However, the MCO’s success is still a function of policy requirements supplied by DHHS, which was a root cause of the RBHS fraud, waste, and abuse. The critical difference was the DHHS lacked establishing clear standards for diagnoses, treatment, and outcomes. Provider flexibility literally created provider unaccountability. The RBHS lessons learned in the area of management controls are transferable to other aspects of DHHS operations, particularly the current Autism initiative and planned changes in the next several years in how Medicaid reimburses providers serving disabled and special needs beneficiaries. The recommendations were accepted by DHHS. (link at: <http://oig.sc.gov/Pages/Reports.aspx>)

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- Review titled, “*Risk Assessment of the Financial Assurance Requirements for Solid Waste Landfills,*” originated in response to a closed landfill fire in Chester County negatively impacting the community for over six months with smoke and potential health risks prior to being extinguished by the EPA. DHEC was in substantial compliance with its own policies, but the State and taxpayers were exposed to financial risks due to landfill’s financial assurance did not include any funds for the remediation of pollution events by post-closure monitoring, particularly funds for emergency situations such as Chester County. The SIG recommended DHEC consider establishing a landfill owner trust fund, which other states have used, to protect the State and taxpayers of predictable long-term situations at closed landfills. (link: <http://oig.sc.gov/Documents/Final%20Letter%20to%20DHEC%20Director%20re%20Financial%20Assurance%20with%20Response.pdf>)
- Review titled, “*Allegation of a Violation of the State Procurement Code and Other Issues Related to a Statewide Term Contract Involving the Department of Revenue (DOR) and the Department of Health and Environmental Control (DHEC),*” pertained to a sequence of contracts with “red flags.” The initial complaint of DOR circumventing a competitive procurement as required by the Code was unfounded, and likely the result of a highly complex transaction coupled with poor communication between parties. However, during this review, it was determined a fraud software product was inadvertently, as well as inappropriately, placed on the statewide term contract. This required State agencies to use this product and pay a premium price, absent unusual circumstances, yet an agency would be unaware the price and technical requirements for the fraud software product was never competed to obtain an optimal price or technically evaluated for effectiveness. DOR did purchase this fraud software product under the statewide term contract, which met their needs and could be quickly obtained since it was on statewide contract. However, being on statewide contract practically precluded DOR from exploring other potential vendors’ products and conducting a competitive procurement process to ensure it received a product best suited to its needs at the best price. The review identified other issues, primarily the developmental risks and pressures involved in agencies developing new information technology in agencies with old legacy systems. (link at: <http://oig.sc.gov/Pages/Reports.aspx>)
- Review titled, “*A Review of the Approval for Lynches River Contracting (LRC) as a South Carolina Department of Transportation (DOT) Vendor,*” pertained to complaints LRC violated DOT regulations by having debarred parties [Boggs Paving, Inc. (BPI) and ownership] involved in LRC and continue to compete for state DOT contracts. Three governmental bodies independently legally determined LRC had been structured in a way allowing it to do business without any impact from BPI’s debarment. It appeared LRC’s business operations and components were materially the same as the debarred BPI with the exception of the general ownership shifted from debarred fathers to irrevocable trusts benefitting their young children. It is quite easy to understand this unfairness claim and the dilution of the state’s deterrent value when wrongdoers are debarred, yet the debarred business can essentially continue to generate economic wealth for their families, which indirectly benefits the debarred wrongdoers, by placing the debarred company’s assets and business operations in a new company owned by close family. It was recommended to address this dilution of debarment’s deterrent effect, DOT would have to establish new regulations to cover similar situations as BPI and LRC in the future. (link at: <http://oig.sc.gov/Documents/Review%20of%20the%20Approval%20of%20Lynches%20River%20Contracting%20as%20a%20SCDOT%20Vendor.pdf>)
- Review titled, “*Potential Misuse of State Assets – Ashley Madison Website,*” pertained to information in the public domain that hundreds of South Carolina state government email accounts and IP addresses were used to inappropriately access Ashley Madison accounts, a commercial website designed to enable extramarital affairs. Given this potential misconduct undermining the public’s confidence in State government, all 552 leads of an inappropriate use of a state email account or IP address were examined by state agencies. The vast majority were college students, which were not explored further for obvious reasons. However, 35 state employees were positively identified with this alleged conduct, with sanctions ranging from no action, counseling, reprimand, and suspension. (link at: <http://oig.sc.gov/Documents/Alleged%20Misconduct%20Involving%20the%20Ashley%20Madison%20Website.pdf>).

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- Report titled, “*Allegations of Excessive Abuse, Neglect, and Exploitation (ANE) Incidents at SC Mentor (Mentor), a Vendor to the Department of Disability and Special Needs (DDSN),*” addressed conflict at the Commission level based on derogatory media reporting of ANE incidents at Mentor; concerns from Commissioners and vulnerable adult advocates; and an emerging atmosphere of distrust in DDSN’s oversight of ANE allegations at Mentor in particular, as well as indirectly Mentor’s standard of care provided to its consumers. The review determined Mentor served 5% of DDSN consumers placed in community residential services, yet over the current and prior two fiscal years, Mentor had 20% of the total ANE allegations and 33% of the sustained ANE allegations resulting in criminal charges against staff. However, an analysis of these of the ANE incidents did not indicate systemic abuse towards consumers inasmuch as the majority of the ANE reporting system contained allegations more akin to staff/facility performance issues. Deficiencies were identified in a lack of transparency in reporting ANE results to stakeholders, as well as inordinate delayed investigations within the ANE system requiring enhanced oversight. Further, Mentor was identified has having a pattern of under-performing for the past eight years. The long-term solution is for DDSN to shift provider contract monitoring from a minimum contract compliance audit towards a risk-based approach emphasizing outcome measures.
(link at: <http://oig.sc.gov/Pages/Reports.aspx>)

Reviews (5) Based on SIG Proactive Risk Assessment of Waste

- Review titled, “*South Carolina State Government’s Performance Management System – An Untapped Tool Pivotal to Improving State Government,*” pertained to identifying the State’s performance management system for agencies as not effective, as well as made recommendations for statewide change. Improving this fundamental management/accountability mechanism to provide accountability and a level of assurance to taxpayers of an effective state government is the single most important opportunity to improve state government operations, as well as prevent waste of taxpayer funds.
(link at: http://oig.sc.gov/Documents/SIG_Memo_re_Performance_Management_System-September_2015.pdf)
- Report titled, “*Review of Program Integrity (PI) Operations at Six Managed Care Organizations (MCO) Delivering Medicaid Services under a Contract with the South Carolina Department of Health & Human Services (DHHS),*” pertained to reviewing the fraud, waste, and abuse investigative capabilities of MCOs delivering Medicaid services using State funds in an annual \$2.7 billion contract representing 10% of the entire State’s annual budget. The MCOs’ Compliance Officers and PI functions generally did not have an understanding the population of identified overpayments, and only examined 27% of Medicaid dollars at risk within the PI function. The review concluded the MCOs were ineffective. In the first 20 months of the contract, one MCO recovered only \$45,000 and the residual five MCOs recovered \$0. In comparison, DHHS’s PI function for its fee for service operations for Medicaid dollars slightly larger than MCOs (\$3 billion annually) recovered \$4 million in fraud, abuse, and waste.
(link:<http://oig.sc.gov/Pages/Reports.aspx>)
- Review titled, “*Review of Preventative Controls for Fraud, Waste, and Abuse in the Supplemental Nutrition Assistance Program (SNAP), Department of Social Services,*” was part of a broader statewide review of preventative fraud, waste, and abuse management controls of major benefit programs in State agencies. The core metric for success in management controls for fraud, waste, and abuse, which includes both preventative and post controls, was a state’s payment error rate. The national payment error rate was 3.4%, and South Carolina’s 1.75% rate compared favorably, and was the 14th best nationally. Through statistical sampling, DSS’s efforts were 98.25% effective, yet the 1.75% error rate still created an estimated \$19 million in improper payments annually potentially preventable. Also noteworthy, DSS’s monthly administrative cost per household of \$14.38 compared favorably to the nationwide average \$27.73, and was next to the lowest in the nation. Despite these positive results, the direction to move to a higher level of effectiveness is through increased automation and analytics to literally approve

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applications with a minimum of DSS employee involvement, thus allowing eligibility workers and pre-certification investigators to devote their time to more closely examine applications “flagged” due to high risk indicators of fraud or errors. This is not a criticism of DSS, but rather, just identifying the next logical in a continuous improvement management process, which has proven to be effective in seven other states and consistent with federal guidance of preventative efforts being the most effective anti-fraud strategy. (link at: <http://oig.sc.gov/Documents/Review%20of%20Preventative%20Controls%20for%20Fraud,%20Waste,%20and%20Abuse%20in%20the%20DSS%20SNAP%20Program.pdf>)

- The SIG produced its second annual report titled, “*Fraud Conducted by Executive Branch Employees*,” covering FY 2014-2015, which identified \$298,000 in losses from 13 frauds in 11 agencies, with the majority of losses emanating from, again, two major frauds. This data was similar to the FY 2013-2014 report identifying \$543,000 in losses from 16 frauds in 12 different state agencies during FY 2013-2014 with two major frauds. These reports are indicative of Executive Branch employees operating in a high integrity environment given its \$26 billion budget and 60,000 employees. However, the average of two major frauds annually should remind every Agency Head that major frauds can potentially damage an agency’s reputation and undermine the public’s confidence in State government. Lessons learned were shared with State agencies along with recommendations on improving the key internal control at the center of these frauds—lax supervisory oversight. (link at: http://oig.sc.gov/Documents/FY_2014-2015_Fraud_Program_Report.pdf)
- Report titled, “*Allegation of Inappropriate Overtime Policies, Department of Social Services (DSS)*,” pertained to a county office prohibiting employees from recording any overtime or compensatory (comp) time despite being a non-exempt employee with an overwhelming caseload requiring work in excess of 40 hours most weeks. The investigation confirmed the allegation, which originated several years prior as a result of a criminal investigation into abuse of overtime. This over-compensation was addressed, and DSS issued agency-wide guidance to address potential similar encroachment in violating overtime policies and federal labor law. It was also noted this office’s inappropriate policy shift was just a symptom of the larger issue of a leadership failure at the DSS State Office. DSS State Office had ample information streams to its executive managers of this office’s inadequate resources driving systemic deficiencies. The feedback loops to the DSS State Office were blinking “red” and the DSS State Office failed to act. The root cause resource issue was being aggressively addressed by the new DSS State Director, along with support from the Governor and the General Assembly. Several months after this review’s fieldwork, re-contact with both the complainant and LCDSS management determined a significant improvement in the office’s resource posture, which has ameliorated the necessity of requiring systemic overtime by caseworkers. (see link: <http://oig.sc.gov/Pages/Reports.aspx>)

Review (7) of Allegations of Serious Misconduct with Six Pertaining to Agency Executives

The SIG’s policy is to not publically release serious misconduct investigations. However, the SIG is also accountable to oversight and the public, so summaries of these types of investigations are presented in general, non-attributable format:

- An agency executive was alleged to have abused his/her position by inappropriately targeting the complainant with a regulatory investigation for political reasons. A full investigation determined the allegation did not have merit.
- Two state employees allegedly executed a scheme using a sham fiduciary to take custody of a child with designs to secure full custody of the child using fraudulent state documents to cover up this scheme. This matter is complete, agency administrative adjudication resulted in dismissing the employees, and the report has been provided to the Solicitor’s Office for prosecutorial opinion.

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- Three state employees allegedly diverted resources from a work site for personal use. The matter was referred to the agency for administrative adjudication with two employee separated from service.
- An agency executive allegedly influenced a \$20 million RFP towards a particular vendor. A full investigation determined the allegation did not have merit.
- An agency executive allegedly sexually harassed a subordinate. An investigative report was provided to the agency head for adjudication.
- An agency was alleged to have used its regulatory authority in an anti-competitive manner to protect an industry from market competition. A full investigation determine the Board did not abuse its regulatory authority, although the lack of clarity in the law and regulations inhibited national Internet retailers from doing business in South Carolina.
- An agency executive allegedly violated the ethical conflict of interest law and potentially exercised undue influence on the procurement and management of two large multi-year contracts to benefit a friend. A full investigation determined the allegation did not have merit. However, the conduct entered the realm of an appearance of a conflict of interest, but the agency did not have a code of conduct beyond State statute to potentially address this issue. Further, substantial contract management/monitoring deficiencies were noted in both contracts, where costs exceeded budgets in the millions of dollars.

Lessons Learned (6) and Statewide Issues (2) Needing State Leadership Attention

The SIG produced six “Lessons Learned Alerts” to all 106 Executive Branch Agency Heads, as well as courtesy copies to the legislature, which pertained to codes of conduct; grant monitoring; fraud risks; misconduct risks using the Internet; best practices from other states; and risks administrating federal grants (see link at: <http://oig.sc.gov/Pages/Alerts.aspx>).

There are two issues needing State Leadership attention causing systemic waste in the Executive Branch: 1) the State’s agency performance management system lacks effectiveness; and 2) the State lacks adequate contract monitoring regulations and process management training. We have 7000 dedicated Executive Branch managers, but we need to help theses manager with infrastructure and training to raise their capabilities to establish agency performance standards to increase focus on measurable results. Reports specific to these two issues, which have been raised for at least the two past years were:

- “Review of Contract and Grant Monitoring (2013);”
(link at: <http://oig.sc.gov/Documents/Contract%20and%20Grant%20Monitoring%20Findings%20and%20Recommendations.pdf>);
- “South Carolina State Government Waste (2014);”
(link: <http://oig.sc.gov/Documents/Addressing%20Waste%20in%20South%20Carolina%20Government.pdf>);
- “South Carolina State Government’s Performance Review System – An Untapped tool Pivotal to Improving State Government (2015);” and
(link at: http://oig.sc.gov/Documents/SIG_Memo_re_Performance_Management_System-September_2015.pdf);
- “The State Inspector General’s Observations of the Executive Branch (2016).”
(link at: <http://oig.sc.gov/Documents/Memo%20re%20SIG%20Observations%20of%20the%20Executive%20Branch.pdf>).

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SIG “Hotline” Operation

The SIG operates a “hotline” for the Executive Branch of state government. The SIG logged 426 complaints, which was a 30% decrease from prior FY 2013-2014 (617). The vast majority of calls are personnel/leadership issues or customer service complaints for state agencies, which were delegated for management inquiry as a healthy feedback tool for state government. The decrease was an intentional effort to have staff triage complaint calls more thoroughly, and redirect call to the appropriate agency, if possible, for all individual customer service type complaints, as opposed to fraud, waste, and abuse.

SIG Annual Performance Measures

Below are the SIG’s quantitative metrics developed specifically in its strategic plan to provide indicators of results addressing stated objectives for the most recent FY 2015 - 2016:

Performance measure	FY 2014-2015 Actual	FY 2015-2016 Target	FY 2015-2016 Actual	FY 2016-2017 Target
Forensic accounting invest.	4	3	4	4
Misconduct investigations	5	5	7	5
Corruption investigations	3	2	2	2
SIG Alerts	7	7	6	6
Complaints	617	350	426*	400
Agency-wide waste recommendations	15	15	28 agency-wide; 1 statewide**	15
Econ Recovery (prevent)	\$1,965,000 (>\$10 million+)	\$632,000	\$1,397,000 actual; (>\$4 million +++ prevented)	\$632,000

*Although the goal was to reduce to 350 from 617 to improve efficiency of complaint process, the SIG is satisfied with a 30% reduction based on the five measures it put in place to better triage and process complaints. Given the experience of FY 15-16, a further reduction is anticipated but 350 would be an inappropriate goal.

**metric designed to encourage SIG reviews to look at agency-wide issues, which will generally have a higher level of impact; statewide recommendation have even broader potential positive impact.

It should be emphasized, waste in state government is essentially mismanagement. Waste is generally not recoverable, but the SIG achievement is preventing future waste or exploiting an opportunity to improve (service quality or cost savings) in the future. For example, the January 2015 SIG’s report titled, “An Opportunity for Taxpayer Savings Through Improving Statewide Accounts Receivable Practices,” identified a key issue that the Department of Revenue’s (DOR) collection programs were not well understood among agencies. This led to a recommendation (#3a) for DOR, “to improve its communication strategy to inform state agencies about the capabilities of the Set-off and GEAR programs and change its marketing posture to be state agencies collection agency of first resort rather than last.” During the next full FY 2015-2016, DOR’s collections increased by \$17.1 million to 178 million. In a newspaper article, the DOR Director stated the record year collections was due, in part, to more local governments and state agencies signing up for the program, with emphasis on streamlining the paperwork, also a SIG recommendation (<http://www.thestate.com/news/politics-government/article98516642.html>).

During this AAR’s reviews, major waste recommendations will yield future savings from the following reviews: HAP (DDSN); RBHS (DHHS); Mentor (DDSN); Annual Accountability Reports (statewide); DHEC statewide contract (DHEC); Solid Waste Landfills (DHEC); MCO Program Integrity (DHHS); and SNAP (DSS). Most of the residual reviews will improve services: Juveniles in long-term facilities (DJJ); CRCFs (DHEC); and ANE (DDSN). Many reviews prevent future waste and improve services.

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Required Subsections:

1. **Risk Assessment and Mitigation Strategies:** The SIG’s greatest risk is losing its credibility and confidence with the public and stakeholders by releasing an inaccurate report, which then, in turn, impacts the public negatively by losing a critical asset in objectively investigating/auditing the Executive Branch in both terms of integrity and effectiveness.

The SIG currently mitigates this risk by the Inspector General spending an inordinate amount of time engaged in report reviews, primarily due to also serving as the first line supervisor to five investigators in addition to his executive role, and establishing a formal internal training program emphasizing report writing and evidence. In the upcoming year, the SIG is planning a peer review of its operational processes, and is considering asking for an FTE supervisor.

The General Assembly could assist in this effort by: 1) provide an FTE supervisor to balance the Inspector General’s workload and add additional capacity for quality control.

2. **Restructuring Recommendations:** The SIG will recommend two provisos in its budget process to address root causes of waste in the Executive Branch:
 - Require agencies with two or more internal auditors to conduct an audit of the agency’s strategic performance plan with an audit program provided by the Executive Budget Office, Department of Administration (DOA). The audit will test the reasonableness of strategic objectives, strategies, tactical objectives, and metrics indicative of progress or success. The reasonableness test will be a function of best practices identified in the other states similar functions and private sector comparables. The progress/success metrics will be tested for accuracy. FY 2017-2018 will be developmental so the results will not be subject to FOIA or released outside the agency. However, the agency head will be accountable for the effectiveness of the FY 2018-2019 agency strategic performance plan through audit by the DOA, Inspector General, or Legislative Oversight.
 - Require the Procurement Services Division (PSD), State Fiscal Accountability Authority (SFAA), to develop contract monitoring regulations binding on all State agencies.

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Strategic Planning Template

Type	Goal	Item # Strat	Object	Associated Enterprise Objective	Description
G	1			Reduce incidents of fraud conducted by EB employees	
S		1.1		Investigate incidents of fraud by EB employees	
<i>O</i>			<i>1.1.1</i>		<i>Identify all incidents of fraud conducted by EB employees through multiple mechanisms</i>
<i>O</i>			<i>1.1.2</i>		<i>Initiate investigations with emphasis on forensic accounting services</i>
S		1.2		Deter incidents of fraud conducted by EB employees	
<i>O</i>			<i>1.2.1</i>		<i>Prepare annual report on fraud incidents conducted by EB employees</i>
<i>O</i>			<i>1.2.2</i>		<i>Provide a "lesson learned" from annual frauds to agencies, primarily related to internal controls</i>
<i>O</i>			<i>1.2.3</i>		<i>New - Provide written recommendations to the Procurement Services Division for additional preventative controls</i>
G	2			Enhance Integrity in the EB	
S		2.1		Investigate incidents of allegations of misconduct in EB with emphasis on managers	
<i>O</i>			<i>2.1.1</i>		<i>Identify significant incidents of misconduct through the SIG hotline, monitor open source reporting, and liaison</i>
<i>O</i>			<i>2.1.2</i>		<i>Initiate investigations on significant incidents of misconduct</i>
G	3			Reduce waste in the EB operations	
S		3.1		Investigate incidents of EB waste having the highest impact	
<i>O</i>			<i>3.1.1</i>		<i>Identify potential cases thorough outreach to stimulate awareness, relationships, and quality cases</i>
<i>O</i>			<i>3.1.2</i>		<i>Initiate cases impacting the public's confidence in State government or significant ineffectiveness, often time sensitive in nature</i>
<i>O</i>			<i>3.1.3</i>		<i>Initiate cases based on proactive risk assessment of EB operations</i>
<i>O</i>			<i>3.1.4</i>	<i>Education, Training, and Human Development</i>	<i>Initiate review of CHE strategic planning of higher education</i>
<i>O</i>			<i>3.1.5</i>	<i>Healthy and Safe Families</i>	<i>Initiate review of effectiveness of delivering public health at a major State agency</i>
<i>O</i>			<i>3.1.6</i>		<i>Emphasize opening reviews impacting the State's 5 Enterprise Strategic Objectives</i>
S		3.2		Provide "lesson learned" to agencies to improve EB operations	
<i>O</i>			<i>3.2.1</i>		<i>Provide SIG Alerts as the mechanism to disseminate lessons learned</i>
<i>O</i>			<i>3.2.2</i>		<i>Present plan to the Governor and Legislative oversight to improve Annual Accountability Reports</i>
<i>O</i>			<i>3.2.3</i>		<i>Present a plan to the Governor and Legislative oversight to improve contract monitoring</i>
G	4			Involve EB employees to identify significant waste in EB operations	
S		4.1		Operate a tip "hotline"	
<i>O</i>			<i>4.1.1</i>		<i>Conduct personal outreach to all new agency heads</i>
<i>O</i>			<i>4.1.2</i>		<i>Conduct outreach to agency heads through annual solicitation for review ideas to address waste</i>
<i>O</i>			<i>4.1.3</i>		<i>Conduct outreach to all 60,000 State employees via email</i>

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Performance Measurement Template

Item	Performance Measure	Target Value	Actual Value	Future Target Value	Time Applicable	Data Source and Availability	Calculation Method	Associated Objective(s)
1	forensic accounting investigations	3	4	4	July 1 - June 30	SIG Manual Count	frequency	1.11, 1.1.2
2	misconduct investigations	5	8	5	July 1 - June 30	SIG Manual Count	frequency	2.1.1, 2.1.2
3	SIG Lessons Learned Alerts	6	6	6	July 1 - June 30	SIG Manual Count	frequency	3.2.1
4	complaints from hotline	350	426	375	July 1 - June 30	SIG Manual Count	frequency	4.1.1, 4.1.2, 4.1.3
5	economic recoveries (waste prevented)	\$632,000	\$1,397,000 actual; (>4 million+++ prevented)	\$632,000	July 1 - June 30	SIG Manual Count	frequency	3.1.1, 3.1.2, 3.1.3,
6	agencywide recommendations	15	15	15	July 1 - June 30	SIG Manual Count	frequency	3.1.1, 3.1.2, 3.1.3

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Program Template

Program/Title	Purpose	<i>FY 2015-16 Expenditures (Actual)</i>				<i>FY 2016-17 Expenditures (Projected)</i>				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Office of the Inspector General	General operating budget for all investigations personnel and non-personnel	\$ 512,333			\$ 512,333	\$ 507,641			\$ 507,641	ALL
II. State Employer Personnel Contributions	Fringe personnel costs	\$ 135,114			\$ 135,114	\$ 141,869			\$ 141,869	ALL

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Legal Standards Template

Item #	Law Number	Jurisdiction	Type of Law	Statuary Requirement and/or Authority Granted	Associated Program(s)
1	1-6-10 through 100	State	Statute	Establishes SIG mission and investigative powers to review fraud, waste, abuse,	
2	proviso 94.1 in FY 2016-17	State	Proviso	Mandatory reporting to the General Assembly re case referrals from the State Auditor	
3	proviso 99.1 in FY 2016-17	State	Proviso	Employ private audit firm for fiduciary audit of RCIS	
4	proviso 117.34 in FY 2016-17	State	Proviso	Agencies send annual outstanding debt reports to the SIG; no action required other than	
5	proviso 117.116 in FY 2016-17	State	Proviso	Employ private audit firm for fiduciary audit of PEBA	
6	proviso 117.145 in FY 2016-17	State	Proviso	Employ private vendor for a "DOT Structural Efficiencies Study"	

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Customer Template

Divisions or Major Programs	Description	Service/Product Provided to Customers	Customer Segments	Specify only for the following Segments: (1) Industry: Name; (2) Professional Organization: Name; (3) Public: Demographics.
State Inspector General (SIG) Operations	The SIG conducts fraud, misconduct, and waste investigations and audits of the Executive Branch of State Government to improve operational effectiveness and fix accountability for integrity violations	The SIG conducts independent and objective investigations and audits to improve operations and solve dysfunction in the Executive Branch	Executive Branch/State Agencies	
SIG	The SIG conducts fraud, misconduct, and waste investigations and audits of the Executive Branch of State Government to improve operational effectiveness and fix accountability for integrity violations	Results of investigations and audits to facilitate oversight of the Executive Branch	Legislative Branch	
SIG	The SIG conducts fraud, misconduct, and waste investigations and audits of the Executive Branch of State Government to improve operational effectiveness and fix accountability for integrity violations	Results of investigations and audits publically provided to taxpayers to provide a level of assurance and accountability of the Executive Branch	General Public	

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Partner Template

Name of Partner Entity	Type of Partner Entity	Description of Partnership	Associated Objective(s)
Governor's Office	State Government	Exchange information on potential issues in the Executive Branch with opportunities to improve & results of investigations and audits to facilitate oversight responsibilities	All
Senate & House Finance Committees	State Government	Exchange information on potential issues in the Executive Branch with opportunities to improve & results of investigations and audits to facilitate oversight responsibilities	All
House Oversight Committee	State Government	Exchange information on potential issues in the Executive Branch with opportunities to improve & results of investigations and audits to facilitate oversight responsibilities	All
State Law Enforcement Division	State Government	Exchange information on potential frauds and coordinate investigations to mutually support both agencies' missions	All
100 Executive Branch Agencies, Commissions, and Universities	State Government	Executive Branch agencies or their subcomponents are often impacted directly or the subject of a SIG investigation or audit; relationships are built in advance of investigations/audits through a variety of outreach designed to develop a cooperative atmosphere during investigations/audits which can be stressful for all.	All
State Auditors Office	State Government	Exchange information on potential issues in the Executive Branch and coordinate reviews as needed	All
Legislative Audit Council	State Government	Exchange information on potential issues in the Executive Branch and coordinate reviews as needed	All

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Report Template

Item	Report Name	Name of Entity Requesting the Report	Type of Entity	Reporting Frequency	Submission Date (MM/DD/YYYY)	Summary of information Requested in the Report	Method to Access the Report
None							

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Oversight Review Template

Item	Name of Entity Conducted Oversight Review	Type of Entity	Oversight Review Timeline (MM/DD/YYYY to MM/DD/YYYY)	Method to Access the Oversight Review Report
None				