

**The State Inspector General’s Annual Report of Fraud**  
**Conducted by Executive Branch State Employees**  
**Fiscal Year (FY) 2023-24**

The State Inspector General (SIG) tracks fraud conducted by executive branch employees against state agencies. This is done to assist these agencies in their investigations; to serve as an indicator of integrity within the Executive Branch workforce; and to transparently report to the public to maintain its confidence in the integrity of State government. At this time, the SIG does not track fraud conducted by external parties against the State, such as tax, Medicaid, pharmaceutical diversion, SNAP, unemployment insurance, or contract fraud, most of which are investigated by sworn law enforcement personnel residing in the respective state agencies.

The SIG identifies Executive Branch employee fraud through mandatory reporting by each agency, law enforcement reporting, agencies’ annual reports to the Office of the Comptroller General, the Office of the State Auditor, and open source reporting. In FY 2023-24, the SIG received seven notifications of potential fraud and misconduct involving seven Executive Branch employees at five state agencies, which resulted in estimated losses of \$278,444 in the below categories:

<b>Fraud Scheme Category</b>	<b>Reported Incidents</b>	<b>Employees Involved</b>	<b>Fraud Losses by Scheme</b>
Bribery/ Kickbacks	3	3	\$219,500
Procurement Fraud	1	1	\$47,000
Theft	1	1	\$2,000
Forgery	1	1	\$0
Fleet Card Fraud	1	1	\$9,944
<b>TOTALS</b>	<b>7</b>	<b>7</b>	<b>\$278,444</b>

Below is a year-over-year comparison of the reported fraud schemes for the past four FYs:

<b>Fraud Scheme Category</b>	<b>Reported Incidents</b>				<b>Total Reported Losses</b>			
	<b>FY 2023-24</b>	<b>FY 2022-23</b>	<b>FY 2021-22</b>	<b>FY 2020-21</b>	<b>FY 2023-24</b>	<b>FY 2022-23</b>	<b>FY 2021-22</b>	<b>FY 2020-21</b>
Bribery/ Kickbacks	3	0	2	0	\$219,500	\$0	\$760	\$0
Misuse of State Funds	0	0	2*	0	\$0	\$0	\$31,100	\$0
Contract/Grant Fraud	0	0	1	0	\$0	\$0	\$0	\$0
Procurement Fraud	1	0	0	0	\$0	\$0	\$0	\$0
Embezzlement	0	1	0	1	\$47,000	\$10,000	\$0	\$17,300
Theft	1	1	0	1	\$2,000	\$2,000	\$0	\$77,000
Conflict of Interest/ Business Relationship	0	0	0	3	\$0	\$0	\$0	\$16,000
Forgery	1	0	0	0	\$0	\$0	\$0	\$0
Fleet Card Fraud	1	0	0	0	\$9,944	\$0	\$0	\$0
<b>Totals</b>	<b>7</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>\$278,444</b>	<b>\$12,000</b>	<b>\$31,860</b>	<b>\$110,300</b>

\*Incidents involved multiple subjects.

The following observations were made following an analysis of FY 2023-24:

- FY 2023-24 reported losses of \$278,444 are greater than the combined losses of the three previous fiscal years of \$154,160.
- FY 2023-24 incidents (7) represent a 75% increase of the average number of incidents of the three previous fiscal years (4). This is largely attributable to increased detection as a result of increased enforcement action by agencies' internal inspectors general and law enforcement.
- The job levels for the seven Executive Branch employees reported for fraud and misconduct included three executive/upper-level managers and four front-line employees.
- Five of the schemes and incidents resulted in the arrest and termination of the employees. Two schemes remain under investigation.

A consistent trend in the reported frauds for the past four fiscal years revolved around accountability in internal controls. The higher the employee's position in the organization, the greater the employee's access to larger funds, and thus led to correspondingly higher losses.

The total reported fraud incidents totaling approximately \$278,444 indicates a continued low risk of employee fraud in the Executive Branch of state government. Included below is a vignette summary of the reported fraud matters, as well as a recap of lessons learned from other SIG investigations and reviews during FY 2023-24:

#### **VIGNETTE – Fraud Conducted by Executive Branch State Employees in FY 2023-24**

1. A state employee was charged with bribery, conspiracy, wire fraud, and money laundering, after s/he accepted \$219,000 in bribes over a three-year period in exchange for smuggling illegal contraband into a state correctional facility.
2. A state employee was placed on administrative leave pending the outcome of a criminal investigation into modified documents related to procurement fraud that took place at an agency in the amount of \$47,000.
3. A state employee misused two state fleet vehicles and their corresponding fleet cards that resulted in a waste of \$9,944.
4. A state employee was terminated from employment and charged with petit larceny following the theft of state property valued at approximately \$2,000 while performing his/her official job duties.
5. A state employee was arrested for accepting a bribe to influence the action of a public employee after receiving a \$500 payment from a member of the public in return for performing an act in violation of his/her official job responsibilities.

6. A state employee was arrested for accepting a bribe while performing his/her official job duties.
7. A state employee was charged with forgery after faking a signature on a marriage license and performing a fraudulent wedding ceremony in connection with his/her official job duties. The employee resigned from his/her position of employment following his/her arrest.

## **Recap of Lessons Learned for Fiscal Year 2023-24**

**Procurement Policies and Code of Conduct** – Agencies should adhere to the SC Consolidated Procurement Code and the State Ethics Commission in the awarding of contracts and regarding conflicts of interest. Agencies should provide training to staff on the policies and procedures for procurement. Agencies should also conduct an employee affirmation and review of their code of conduct to confirm that employees have read and understand them.

**Span of Control & Separation of Duties** – Separation of duties ensures proper oversight and review to avoid errors. It serves as an internal control requiring more than one person to handle transactions and is intended to prevent fraud and error.

**Internal Controls & Standard Operating Procedures** – Maintaining current policies and procedures is imperative to the operations and management of an agency and its employees. Agencies should develop and maintain updated internal procedures governing processes for the management and control of the organization. They should also maintain proper supervisory oversight of employees.

Below is an Association of Certified Fraud Examiners (ACFE) report that the SIG provides to agency leaders to raise awareness concerning fraud to state employees.

[ACFE Occupational Fraud 2024: A Report to the Nations](#)

[Lessons Learned – FY 2023-24](#)