

The State Inspector General's Annual Report of Fraud

Conducted by Executive Branch State Employees

Fiscal Year (FY) 2024-25

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 2024-25, the SIG received twelve notifications of potential fraud and misconduct involving 13 Executive Branch employees at seven State agencies, which resulted in estimated losses of \$1,737,458 in the below categories:

Fraud Scheme Category	Reported Incidents	Employees Involved	Fraud Losses by Scheme
Bribery/ Kickbacks	5	5	\$222,129
Procurement Fraud	1	2	\$1,489,789
Theft	4	4	\$14,740
Forgery	1	1	\$10,000
Misconduct	1	1	\$800
TOTALS	12	13	\$1,737,458

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

Fraud Scheme Category	Reported Incidents				Total Reported Losses			
	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22
Bribery/ Kickbacks	5	3	0	2	\$222,129	\$219,500	\$0	\$760
Misuse of State Funds	0	0	0	2*	\$0	\$0	\$0	\$31,100
Contract/Grant Fraud	0	0	0	1	\$0	\$0	\$0	\$0
Procurement Fraud	1*	1	0	0	\$1,489,789	\$0	\$0	\$0
Embezzlement	0	0	1	0	\$0	\$47,000	\$10,000	\$0
Theft	4	1	1	0	\$14,740	\$2,000	\$2,000	\$0
Misconduct	1	0	0	0	\$800	\$0	\$0	\$0
Forgery	1	1	0	0	\$10,000	\$0	\$0	\$0
Fleet Card Fraud	0	1	0	0	\$0	\$9,944	\$0	\$0
Totals	12	7	2	5	\$1,737,458	\$278,444	\$12,000	\$31,860

*Incidents involved multiple subjects.

The following observations were made following an analysis of FY 2024-25:

- FY 2024-25 reported losses of \$1,737,458 are greater than the combined losses of the three previous fiscal years of \$322,304.
- FY 2024-25 incidents (12) represent a 155% increase of the average number of incidents of the three previous fiscal years (4.7). 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 13 Executive Branch employees reported for fraud and misconduct included two executive/upper-level managers, 2 supervisory employees, and nine front-line employees.
- Ten of the schemes and incidents resulted in the arrest and termination of the employees. Two schemes remain under active 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 \$1,737,458 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 2024-25:

VIGNETTE – Fraud Conducted by Executive Branch State Employees in FY 2024-25

1. Two state employees were charged with fraud after they submitted \$1,489,789 in falsified vendor certifications to a federal agency, while managing the funds for the State.
2. A state employee is under active investigation for receiving at least \$159,250 in improper cash, electronic funds transfer (EFT), and check kickback payments from contractors that he/she conducted business with in the course of his/her regular state job duties.
3. A state employee was arrested for accepting \$22,879 in bribes during the course of his/her regular state job duties.
4. A state employee was arrested for disclosing confidential information, ethics violations, obstruction of justice, and misconduct in office for accepting \$20,000 in bribes/kickbacks for improperly providing the information to others.
5. A state employee was charged with theft/grand larceny for using a state computer system to alter transactions and defraud the state of at least \$10,000.

6. A state employee was charged with criminal conspiracy for accepting bribes/kickbacks of at least \$10,000 to knowingly process applications that were related to his/her regular state job duties.
7. A state employee was arrested for forgery, insurance fraud, and computer crimes for fraudulently using the forged identities of family members, friends, and acquaintances to obtain at least \$10,000 in benefits from an agency where he/she worked.
8. A state employee was arrested for accepting bribes of at least \$10,000 to perform illegal acts related to his/her regular state job duties.
9. A state employee was charged with grand larceny and misconduct in office for stealing \$2,740 in cash during his/her job duties, with the intent to use the money for personal purposes.
10. A state employee is under active investigation for converting at least \$1,800 of his/her employing agency's equipment and materials to operate his/her for-profit business.
11. A state employee was arrested after absconding with at least \$800 worth of drugs and paraphernalia that he/she found at his/her employing state agency's parking lot.
12. A state employee was charged with theft of controlled substances, valued at \$200, while employed at a state facility.

Recap of Lessons Learned for Fiscal Year 2024-25

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 2024-25](#)