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AGENCY’S DISCUSSION AND ANALYSIS

During Fiscal Year (FY) 2024-25, the Office of the State Inspector General (SIG) was staffed with an Inspector General, one Deputy Inspector General, one Program Manager I, six senior auditors, four investigators, and one administrative manager. Each auditor and investigator has extensive auditing and investigative experience, including prior law enforcement experience. The SIG had one investigator and one senior auditor vacancy during the year. This brief vacancy had marginal impact on the SIG operations and investigations.

The SIG emphasized the professional development and continuing education (CPE) of its staff in the specialized areas of certified fraud examiner (CFE), certified inspector general (CIG), certified inspector general investigator (CIGI), certified inspector general auditor (CIGA), certified public manager (CPM), certified financial crimes investigator (CFCI), and certified government finance officer (CGFO). The SIG’s emphasis in providing opportunities for its staff to maintain these specialized skills ensures the SIG deploys highly trained auditors and investigators with the broadest perspective in its investigations, reviews, and assessments.

The annual CPE requirement for the CFE certification is 20 credit hours, with at least ten hours in fraud examinations and two hours in ethics. The biennial CPE requirement for the CIG, CIGA and CIGI certification is 40 credit hours. The CFCI has a three-year CPE requirement of 20 credit hours. The SIG staff participated in CFE training opportunities offered by the Association of Certified Fraud Examiners and the Inspector General Institute offered by the Association of Inspectors General. The SIG staff also participated in training provided by the Institute of Internal Auditors. The SIG collaborates with the Legislative Audit Council to receive audit training for all new SIG staff.

As required by [Proviso 93.25](#), the South Carolina Department of Administration’s Division of Information Security (DIS) conducted an information security assessment of the SIG’s compliance with the required state information security and privacy standards ([DIS 200](#)) as part of its Audit and Assessment Program.¹ DIS utilized a third-party vendor that assessed the SIG’s compliance with information security and privacy requirements of 117 key controls for performance and effectiveness. The agency was 100% compliant with all 117 key controls.

SIG Investigative Activities

The SIG “is responsible for investigating and addressing allegations of fraud, waste, abuse, mismanagement, misconduct, violations of state or federal law, and wrongdoing in agencies” per South Carolina Code of Laws §1-6-20 (B), and as it relates to the South Carolina Opioid Recovery Fund, per South Carolina Code of Laws §11-58-30 (F). Pursuant to Act No. 223 of 2022, the SIG’s investigative authority expanded to include public schools/school districts, public charter schools and authorizers, and voluntary associations that establish and enforce bylaws and rules for interscholastic sports competitions for public secondary schools.

¹ In accordance with [Proviso 93.25 of the 2016-2017 South Carolina Appropriations Act](#).

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In FY 2023-24, the SIG’s authority was further expanded by the General Assembly through the passage of three provisos ([117.200](#), [117.201](#) and [117.203](#))² which placed the SIG in a coordinating oversight role with the Office of the State Auditor for outside forensic audits conducted of certain local governments.

The SIG initiated seven high impact/time-sensitive investigations requested by the General Assembly, and the State Superintendent of Education, that included three investigations of public school districts; eight proactive risk assessments of waste and mismanagement; and six investigations of serious misconduct by state employees. The SIG also conducted three voluntary program reviews for three executive branch (EB) agencies to improve program efficiency and effectiveness for these agencies.

The SIG utilized its forensic accounting and financial investigative skills in thirteen investigations and disseminated six anti-fraud lessons learned and alerts to agency heads. The SIG made eleven referrals for potential criminal and ethics violations of law to state and federal authorities.

In addition to its investigative role, the SIG’s outreach program provided twelve training opportunities to other EB agencies and the public on financial oversight and managing fraud risk to include the SC House of Representatives new member orientation, the LeadSC, the [Charter Institute at Erskine](#), the [SC Association of Title 1 Administrators](#), the [SC Association of Governmental Purchasing Officials](#), and the [Association of Certified Fraud Examiners \(ACFE\) Law Enforcement and Government Alliance \(LEGA\)](#). In addition, the SIG provided outreach to the USC Business School of Accountancy, the [SC Associate Public Manager Mentoring Program](#) administered by the SC Department of Administration (SCDOA), the SCDOA 4th Annual Veteran's Career Counseling Day and Virtual Career Fair, the Columbia Office of the Federal Bureau of Investigation, the Shepherd Center Community Services Organization, and presented to a local school on career day.

Reviews (7) of High Impact/Time-Sensitive Issues in State Government

- SIG conducted a [Review of Richland County School District One’s Funding, Procurement, and Construction of the Vince Ford Early Learning Center](#), at the request of the State Superintendent of Education, in connection with various allegations and concerns regarding potential mismanagement, and misconduct, and violations of state or federal law.
- SIG conducted a [Review of Organizational Restructuring and Human Resource Practices at the South Carolina Department of Mental Health](#) (SCDMH), at the request of the General Assembly, in connection with various allegations and concerns regarding potential mismanagement, misconduct, and violations of state or federal law. On 4/28/25, the SCDMH was consolidated with the SC Department of Disabilities and Special Needs and the SC Department of Alcohol and Other Drug Abuse Services, and merged under the SC Department of Behavioral Health and Developmental Disabilities.
- SIG conducted a [Financial Review and Conflict of Interest Investigation of Jasper County School District](#), at the request of the State Superintendent of Education, in connection with various allegations and concerns regarding potential mismanagement, misconduct, and violations of state or federal law.

² Provisos 117.200, 117.201 and 17.203 were also included in South Carolina's 2024-25 state budget that grants the SIG limited authority to oversee forensic audits of certain local governments. These provisions were initiated by the General Assembly in an effort to strengthen accountability and transparency in local government financial practices.

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- SIG coordinated with the Office of the State Auditor to solicit and contract with an external audit firm to conduct a [Forensic Examination of the Town of Calhoun Falls](#) financial records from fiscal years 2019-20 through 2023-24 per Proviso 117.200. The SIG provided oversight of the audit, at the request of the General Assembly, in connection with various allegations and concerns regarding potential mismanagement, misconduct, and violations of state or federal law.
- SIG coordinated with the Office of the State Auditor to solicit and contract with an external audit firm to conduct a [Forensic Examination of the Hampton County](#) government financial records from fiscal years 2015-16 through 2023-24 per Proviso 117.201. The SIG provided oversight of the audit, at the request of the General Assembly, in connection with various allegations and concerns regarding potential mismanagement, misconduct, and violations of state or federal law.
- SIG initiated an investigation of the Sumter School District, at the request of the State Superintendent of Education, in connection with various allegations and concerns regarding potential mismanagement, misconduct, and violations of state or federal law.
- SIG initiated an investigation of the SC Office of the State Treasurer, at the request of the General Assembly, in connection with various allegations and concerns regarding potential mismanagement, misconduct, and violations of state or federal law.

The seven high impact/time sensitive reviews were initiated as risk assessments for waste and mismanagement of state resources.

Proactive Risk Assessments (8) of Waste and Mismanagement

The SIG is most effective in the findings and recommendations issued through its program reviews and investigations. The SIG focused on providing value-added recommendations as an independent reviewer of EB agencies and programs to improve operations and efficiencies. During FY 2024-25, the SIG issued 112 recommendations. The agencies implemented 100% of the recommendations that resulted in a combined recovery and waste identified/prevented of \$37,973,856 in South Carolina tax dollars.

The SIG conducted eight waste/mismanagement and risk assessments, for which all eight utilized forensic analyses. The eight waste/mismanagement and risk assessments included the review conducted of the Richland County School District One, SCDMH, Jasper County School District, Sumter School District, Office of the State Treasurer, forensic examinations of the Hampton County and the Town of Calhoun Falls financial records, and an [Investigation of Northeastern Technical College's Dual Enrollment Program and Fiscal Issues](#).

Serious Misconduct Investigations (6) Regarding EB Employees

By policy, the SIG does not publicly release serious misconduct investigations. In matters determined to be criminal in nature, the SIG must refer these matters to law enforcement for further investigation pursuant to SC Code of Laws, §1-6-40 (B). However, for SIG accountability purposes and oversight, the following summaries of misconduct investigations are presented in a non-attributable format:

- An agency employee was alleged to have engaged in financial improprieties by directing payments from grants to a personal business. The SIG determined the allegation was unsubstantiated. The SIG identified

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procedural and documentation concerns, and recommendations were provided to executive management for appropriate action and improvements to internal controls.

- An agency employee was alleged to have engaged in unprofessional conduct and violated State laws and regulations and agency policies. The SIG confirmed the allegation was substantiated. The employee was terminated, and the case was referred to State Law Enforcement Division (SLED). The SIG identified procedural concerns, and recommendations were provided to executive management for appropriate action and improvements to internal controls.
- An agency senior procurement official was alleged to have engaged in fraudulent activity at the agency that involved bribes, illegal gratuities and a kickback scheme with vendors and violated the procurement code. The SIG confirmed the allegation was substantiated and the employee was suspended and later resigned. The SIG identified procedural and documentation concerns, and recommendations were provided to executive management for appropriate action and improvements to internal controls.
- An agency’s employees were alleged to have engaged in unprofessional conduct and violated agency policies. The SIG determined the allegation was unsubstantiated. The SIG identified procedural concerns, and recommendations were provided to executive management for appropriate action and improvements to internal controls.
- An agency’s employees were alleged to have engaged in corresponding with an individual in a racketeering scheme to commit fraud. The case was referred to the U.S. Department of Labor, Office of Inspector General.
- An agency senior official was alleged to have engaged in false representation for personal matters. The SIG determined the allegation was unsubstantiated. The SIG identified procedural and documentation concerns, and recommendations were provided to executive management for appropriate action.

Voluntary Program Reviews (3) Requested by Agency Heads

The SIG initiated three voluntary program reviews at the request of EB agencies. The SIG promoted this service to EB agencies to assist in improving EB operations and processes. The SIG determined that for one review the agency executed its program management effectively, though not efficiently. For two reviews, the agency requested an investigation of potential fraud, waste and abuse within a certain division of the agency. These two investigations revealed misconduct by two employees.³ The SIG identified \$1.8 million in waste and potential fraud, and issued 33 recommendations to the three agency heads to improve program efficiencies, internal controls, policies and procedures, and management processes.

³ These incidents of misconduct are detailed in the Serious Misconduct Investigations section of this report.

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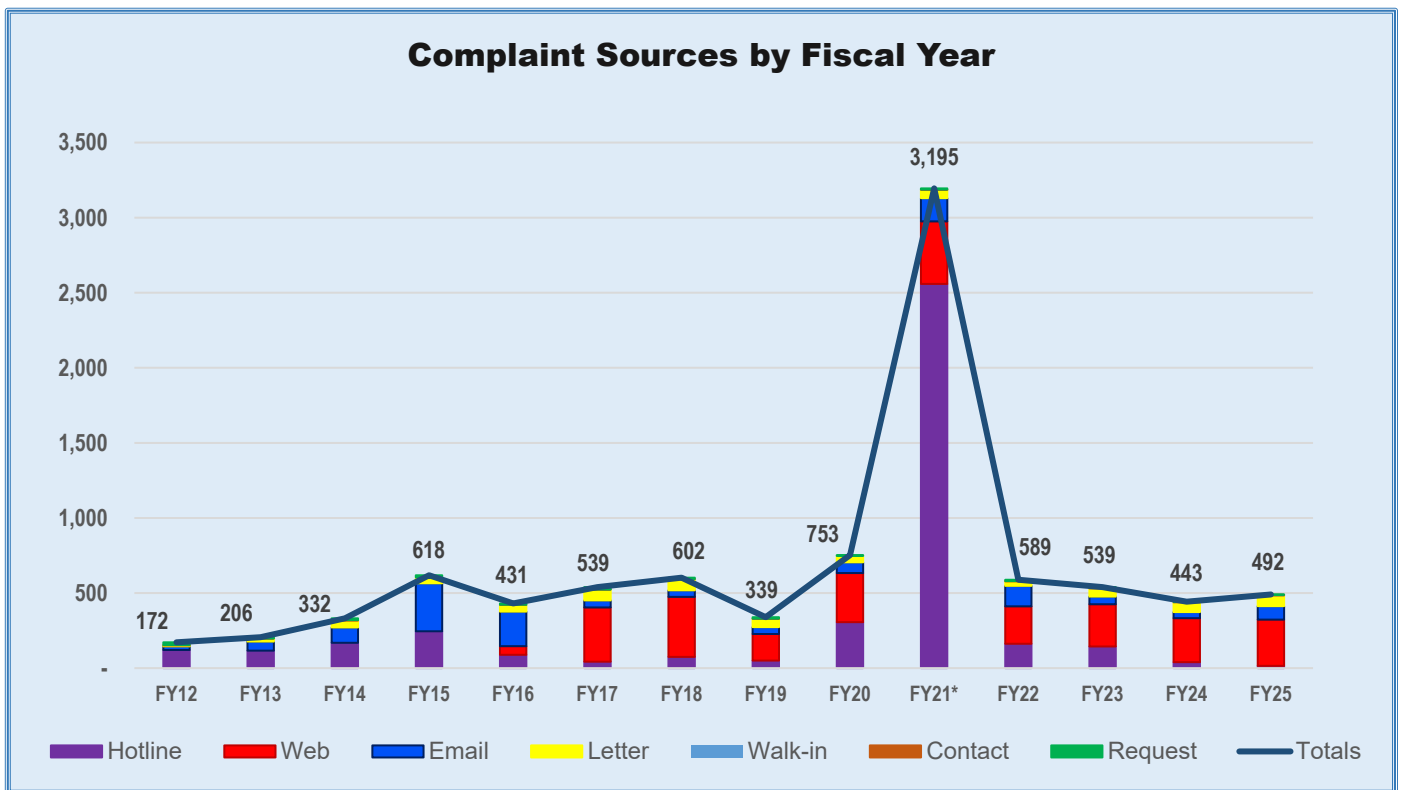
Lessons Learned (6) and Alerts Disseminated to EB Agencies

The SIG issued its FY 2024-25 fraud report titled, [Annual Report of Fraud Conducted by EB State Employees](#). The SIG received seven notifications from seven EB agencies of potential fraud involving thirteen employees for bribery/kickbacks, procurement fraud, theft, forgery, and misconduct, with an estimated loss of \$1,737,458. The SIG disseminated six “Lessons Learned” and alerts to all 106 EB agency heads, which included fraud detection and prevention tips, fraud risks, and delinquent accounts receivables identified in the [2024 Debt Collection Summary Report](#).

SIG “Hotline” Operation and Fraud Complaint Program

The SIG operated a toll-free telephone “hotline” for the public to report fraud in state government. In addition to receiving complaints through the SIG’s fraud hotline and the traditional method of in-person and direct correspondence with the SIG, the SIG also utilized a web-based reporting system that provided the public and state employees the ability to report fraud in a confidential manner directly to the SIG.

During FY 2024-25, the SIG addressed 492 complaints with an average turnaround for complaint processing (download-assessment-action) of 6 calendar days. The SIG received an additional 3,207 “hotline” calls that were non-jurisdictional complaints or misdirected calls, which the SIG referred to the applicable agency or entity. (See chart below)



* The SIG complaint volume returned to normal levels following the explosion in complaints during the COVID-19 State of Emergency in 2020.

The tracking of complaints acts as a barometer of the SIG’s communication efforts with the public and EB agencies, and gauges the SIG’s triage of complaints more effectively.

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SIG Annual Performance Measures

Below are the quantitative metrics developed specifically in the SIG’s strategic plan to provide outcome indicators that address the stated objectives for FY 2024-25 and internal agency metrics.

Performance Measures	Strategic Plan / Internal Metric	FY 2024-25 Actual	FY 2024-25 Target	FY 2023-24 Actual
Forensic accounting investigations	Strategic	13	6	12
Waste and mismanagement investigations	Strategic	8	6	10
Misconduct investigations	Strategic	6	6	5
Voluntary Program Reviews	Strategic	3	4	2
Public Schools and Interscholastic Sports Investigations	Strategic	3	0	2
Economic recoveries (incl. waste prevented, based upon SIG findings & recommendations)*	Strategic	\$37,973,856	\$0*	\$157,914,575
SIG recommendations	Strategic / Internal	112	20	80
SIG recommendations accepted / implemented by Agency as a percentage (%)	Strategic / Internal	100%	95%	100%
SIG referrals to law enforcement, State Ethics Commission, SC Department of Revenue, or State Auditor*	Strategic	11	0*	9
Agency Head Referrals	Strategic	12	5	7
SIG Alerts / “Lessons Learned”	Strategic	6	6	6
Complaints received	Strategic	492	400	443
Complaint triage – process, triage, action	Strategic / Internal	6 calendar days	25 calendar days	12 calendar days
Investigative completion time	Strategic / Internal	105 business days	80 business days	85 business days

(*) The target values are set at zero to keep investigative efforts focused on the inefficiencies under review that result in findings and recommendations that may or may not result in a referral to law enforcement or a recapture of funds.

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 in turn, negatively affects the public by losing a critical asset in objectively investigating EB agencies and programs. The General Assembly mitigated this risk by approving the necessary staffing increase with the addition of 1.5 FTEs, that included a supervisory position for FY 2024-25.