



Report of Investigation

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August 21, 2019

Assignment

Quick Group was retained by the Town of Ninety Six ("the Town") to perform a Financial Forensic Review of the medical insurance coverage for Town employees and related expenses improperly paid by the Town.

Background

The Town has provided medical insurance coverage to its full-time employees for many years at no cost to the employee limited to individual coverage. If the employee chose to enroll in insurance coverage that extended to the employee's spouse or other family members, the additional cost was to be **paid entirely by the employee** through payroll withholding.

This has been the Town policy and the understanding of the Town officials and Town employees.

The administration of the employee payroll and related employee payroll expense, including the medical insurance program, was the responsibility of the Town Clerk/Treasurer Mary Ann Goodman until her retirement at the end of 2018.

The Scheme

In February 2019, the new Town Clerk/Treasurer, Ketekash Crump-Lukie, discovered that employees having insurance coverage that extended to their spouse and/or family were not paying for the full amount of the additional premium for spousal and family medical insurance coverage through their payroll withholding. In fact, **the Town was paying more than 50% of the additional premium** for the extended coverage for the employee's spouse and family. The Town's stated policy was for the employee to pay 100% of the additional cost for spousal and family coverage.

Former Town Clerk/Treasurer Goodman was more than just aware of the subsidizing by the Town – she was one of the largest beneficiaries of the scheme having the extended coverage for her spouse during the period 2016 until mid-2018.

Analytical Review for the Period 2016 – 2019

An analytical review was performed for the period 2016 through August 2019 using available invoices and payroll records retained by the Town and historical records maintained by the South Carolina Employee Benefit Authority ("PEBA"). PEBA was the insurance provider for the Town from 2010 until July 2018. July 2018 the Town switched to Medova Healthcare.

The "lookback" analysis was limited to 2016 as Town records were limited, missing, or otherwise not available. PEBA was only able to provide records back to June 2016. Earlier PEBA records were not retained by PEBA.

The analysis showed underpayment of the extended coverage premium by employees offset by unauthorized expenses paid by the Town for the period 2016 until the date of discovery in February 2019 totaling **\$40,583**. An additional **\$13,611** of expenses were incurred through July 2019 when the Town adjusted the under-withholding, bringing the total expense to the Town to **\$50,385**.

<u>Employee</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2-months 2019</u>	<u>Unauthorized Town Expense</u>		<u>Total</u>
					<u>Yrs 2016-2019</u>	<u>7 months 2019</u>	<u>Loss up to August 2019</u>
Goodman	4,321.92	4,293.36	1,838.80	0.00	10,454.08		10,454.08
Lewis		2,504.46			2,504.46		2,504.46
Williams	2,160.96				2,160.96		2,160.96
Byrd	1,079.88				1,079.88		1,079.88
Myers		4,293.36	5,069.82	899.22	10,262.40	3,147.27	12,510.45
McAllister			2,107.94	555.98	2,663.92	1,945.93	4,053.87
McMahan			870.09		870.09		870.09
Blalock			477.21	899.22	1,376.43	3,147.27	3,624.48
Hentz		2,504.46	580.06	555.98	3,640.50	1,945.93	5,030.45
Parker			1,431.63	899.22	2,330.85	3,147.27	4,578.90
Rhodes					0.00	277.99	277.99
Grigsby	2,159.76	539.88			2,699.64		2,699.64
Roscoe		539.88			<u>539.88</u>		<u>539.88</u>
Total:	9,722.52	14,675.40	12,375.55	3,809.62	40,583.09	13,611.66	50,385.13

The limited records available to Quick Group indicate that the under-withholding was occurring at least back to 2011.

Conclusion

If the Town policy had been that the Town would pay the entire cost of individual medical insurance coverage for each employee but not pay for any part of the additional premium for those employees choosing spousal and family coverage, the following conclusions can be drawn:

- For the period 2016 through February 2019, the Town incurred at least **\$40,583 in unauthorized expenses** that should have been withheld from 12 current and former employees.
- The former Clerk/Treasurer was aware of the subsidizing by the Town of the higher premiums for extended coverage.
- The former Clerk/Treasurer was either unaware of the Town policy and through errors and omissions permitted the under-withholding to occur for years or was aware of the policy and intentionally caused the Town to incur at least \$40,583 in unauthorized expense.
- The Town incurred during the investigative and assessment period after the discovery of the under-withholding an additional \$13,611 in expenses.
- The systematic under-withholding occurred as early as 2011. If adequate records were available, the total expense to the Town would most likely be over \$100,000.