

# LIMITED PROCEDURES ENGAGEMENT

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## Aleppo Township Non-Uniformed Employees Pension Plan Allegheny County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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May 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

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We conducted a Limited Procedures Engagement (LPE) of the Aleppo Township Non-Uniformed Employees Pension Plan for the period January 1, 2014 to December 31, 2017 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. We also evaluated compliance with some requirements subsequent to that period when possible. The LPE was conducted pursuant to authority derived from Section 402(j) of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.) but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. We believe that the evidence obtained provides a reasonable basis to support our LPE results.

Our LPE was limited to determining the following:

- Whether municipal officials took appropriate corrective action to address the finding contained in our prior audit report, by inquiring of plan officials and evaluating supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken.
- Whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the engagement period. State aid allocations that were deposited into the pension plan for the years ended December 31, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation. Employer contributions that were deposited into the pension plan for the years ended December 31, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether annual employee contributions were required during the engagement period and, if so, were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the engagement period and examining documents evidencing the deposit of these employee contributions into the pension plan.
- Whether the January 1, 2013, January 1, 2015, and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2014, 2016, and 2018, respectively, in accordance with Act 205 and whether selected information provided on these reports is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Aleppo Township Non-Uniformed Employees Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed later in this report:


Finding No. 1 – Failure To Properly Fund Member Accounts

Finding No. 2 – Failure To Deduct Member Contributions

Our determination to perform a LPE for this engagement period does not preclude the Department from conducting an audit in accordance with *Government Auditing Standards* of the pension plan in subsequent periods. The township should continue to maintain documentation related to this pension plan.

The contents of this report were discussed with officials of Aleppo Township and, where appropriate, their responses have been included in this report. We would like to thank township officials for the cooperation extended to us during the conduct of this LPE.

April 24, 2018

  
EUGENE A. DEPASQUALE  
Auditor General

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ALEPPO TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

Aleppo Township has complied with the prior audit recommendation concerning the following:

- Receipt Of State Aid In Excess Of Entitlement

During the current engagement period, the municipality reimbursed \$1,761 to the Commonwealth for the overpayment of state aid received in 2011.

ALEPPO TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Failure To Properly Fund Member Accounts**

**Condition:** The township did not fully fund the accounts of 4 members in 2017 in the total amount of \$3,922, as illustrated below:

<u>2017 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 3,870	\$ 2,000	\$ 1,870
2	1,306	-	1,306
3	2,704	2,000	704
4	2,042	2,000	42
Total Contributions Due			<u>\$ 3,922</u>

**Criteria:** The plan’s governing document, Ordinance No. 2017-01, adopted a new Money Purchase Plan Joinder Agreement with the plan’s custodian on July 17, 2017, which established the municipal contribution rate at 5 percent of each eligible participant’s compensation, effective January 1, 2017.

**Cause:** Due to an administrative oversight, contributions in 2017 were made pursuant to the plan’s prior governing document.

**Effect:** The failure to properly fund the members’ accounts could result in plan members being denied benefits to which they are entitled in accordance with the plan’s governing document.

Furthermore, due to the township’s failure to properly fund the accounts of several members, the township must now pay interest on the delinquent contributions.

**Recommendation:** We recommend that the township deposit the contributions due to the members’ accounts for the year 2017, with interest. A copy of the interest calculations should be maintained by the township for examination during our next engagement of the plan.

We also recommend that, in the future, township officials properly fund the accounts of all eligible plan members, in accordance with the plan’s governing document.

**Management’s Response:** Municipal officials agreed with the finding without exception.

**Auditor’s Conclusion:** Compliance will be evaluated during our next engagement of the plan.

ALEPPO TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Failure To Deduct Member Contributions**

Condition: Municipal officials failed to deduct member contributions from 4 plan members in 2017.

Criteria: The plan’s governing document, Ordinance No. 2017-01, adopted a new Money Purchase Plan Joinder Agreement with the plan’s custodian on July 17, 2017, effective January 1, 2017. Section 3.02 of the agreement states, in part:

Each Participant shall, as a condition of participation hereunder, make contributions to the Plan at a rate of 2.0% of Eligible Participant’s Compensation effective as of the first pay period following the adoption of this document.

Cause: Member contributions did not begin to be deducted until 2018 due to an administrative oversight.

Effect: Insufficient member contributions could result in the plan not having adequate resources to meet current and future benefit obligations to its members.

Recommendation: We recommend that the delinquent member contributions be deposited into the pension plan. We also recommend that township officials deduct future member contributions in accordance with the plan’s governing document.

Management’s Response: Municipal officials agreed with the finding without exception.

Auditor’s Conclusion: Compliance will be evaluated during our next engagement of the plan.

ALEPPO TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 6,706	\$ 1,294
2013	6,866	1,134
2014	None	8,151
2015	2,534	4,633
2016	None	9,127
2017	6,679	2,821



ALEPPO TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Mr. Matthew Doebler**  
President, Board of Township Commissioners

**Mr. George Jones**  
Vice-President, Board of Township Commissioners

**Ms. Gwen M. Patterson**  
Township Manager

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