

# COMPLIANCE AUDIT

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## Haverford Township Non-Uniformed Defined Contribution Pension Plan Delaware County, Pennsylvania For the Period January 1, 2016 to December 31, 2019

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August 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Board of Township Commissioners  
Haverford Township  
Delaware County  
Havertown, PA 19083

We have conducted a compliance audit of the Haverford Township Non-Uniformed Defined Contribution Pension Plan for the period January 1, 2016 to December 31, 2019. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior report; and
2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined 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 period under audit.
- We determined 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, 2014 to December 31, 2019, are presented on the Summary of Deposited State Aid and Employer Contributions.
- We determined whether annual employee contributions 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 period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan. We also tested individual employee contributions for 11 of 33 active employees employed during 2016 amounting to \$8,122 of the total employee contributions of \$23,723 for 2016, 12 of 39 active employees employed during 2017 amounting to \$9,403 of the total employee contributions of \$31,528 for 2017, 13 of 45 employees employed during 2018 amounting to \$13,576 of the total employee contributions of \$64,805 for 2018, and 14 of 49 active employees employed during 2019 amounting to \$19,305 of the total employee contributions of \$74,609 for 2019.<sup>1</sup>
- We determined whether retirement benefits calculated for plan members who separated employment and received a lump-sum distribution during the current audit period, represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.

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<sup>1</sup> We selected employees randomly from the population of active employees during the current audit period in order to obtain a representative selection for the purpose of our testing to achieve the audit objective. While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

- We determined whether the January 1, 2017 and January 1, 2019 actuarial valuation report were prepared and submitted by March 31, 2018 and 2020, 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.

Haverford Township contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are available at the township's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Haverford Township Non-Uniformed Defined Contribution Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the Haverford Township Non-Uniformed Defined Contribution Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

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

August 13, 2020



EUGENE A. DEPASQUALE

Auditor General

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## **BACKGROUND**

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). 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.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Haverford Township Non-Uniformed Defined Contribution Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Haverford Township Non-Uniformed Defined Contribution Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 2622-2010, as amended. The plan is also affected by the provisions of collective bargaining agreements between the township and its non-uniformed employees. The plan was established January 1, 2011, for all full-time non-uniformed employees hired on or after January 1, 2011. Active members are required to contribute 2 percent of gross salary in the years 2016 and 2017, and 3.5 percent of gross salary in the years 2018 and 2019 to the plan. The municipality is required to contribute 2 percent of gross salary in the years 2016 and 2017, and 3.5 percent of gross salary in the years 2018 and 2019. As of December 31, 2019, the plan had 48 active members.

HAVERFORD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Recommendation

Haverford Township has complied with the prior recommendation concerning the following:

- Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

The township returned the overpayment of state aid, plus interest, to the Commonwealth and implemented procedures to ensure the accuracy of the data certified during the current audit period.

HAVERFORD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2014	None	\$ 8,682
2015	None	27,899
2016	None	24,774
2017	None	36,256
2018	None	50,973
2019	None	85,804

Note: In 2014, the township met the plan's \$15,146 funding requirement through the deposit of \$8,682 in employer contribution and the allocation of \$6,464 in terminated employee forfeitures.

In 2015, the township met the plan's \$29,729 funding requirement through the deposit of \$27,899 in employer contribution and the allocation of \$1,830 in terminated employee forfeitures.

In 2016, the township met the plan's \$27,553 funding requirement through the deposit of \$24,774 in employer contribution and the allocation of \$2,779 in terminated employee forfeitures.

In 2017, the township met the plan's \$38,745 funding requirement through the deposit of \$36,256 in employer contribution and the allocation of \$2,489 in terminated employee forfeitures.

In 2018, the township met the plan's \$70,932 funding requirement through the deposit of \$58,973 in employer contribution and the allocation of \$11,959 in terminated employee forfeitures.

In 2019, the township met the plan's \$88,656 funding requirement through the deposit of \$85,804 in employer contribution and the allocation of \$2,852 in terminated employee forfeitures.



HAVERFORD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. William F. Wechsler**  
President, Board of Township Commissioners

**Mr. David Burman**  
Township Manager/Chief Administrative Officer

**Ms. Aimee Cuthbertson**  
Finance Director/Assistant Township Manager

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