

# LIMITED PROCEDURES ENGAGEMENT

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## Plymouth Borough Firemen's Pension Plan Luzerne County, Pennsylvania For the Period January 1, 2016 to December 31, 2018

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March 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Mayor and Borough Council  
Plymouth Borough  
Luzerne County  
Plymouth, PA 18651

We conducted a Limited Procedures Engagement (LPE) of the Plymouth Borough Firemen's Pension Plan for the period January 1, 2016 to December 31, 2018 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 LPE 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, 2013 to December 31, 2018, 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, 2013 to December 31, 2018, 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, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 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 Plymouth Borough Firemen's 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 - Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid
- Finding No. 2 - Noncompliance With Prior Recommendation - Failure To Hold Pension Board Meetings

Finding No. 2 contained in this LPE report repeats a condition that was cited in our previous LPE report that has not been corrected by borough officials. We are concerned by the borough's failure to correct this previously reported finding and strongly encourage timely implementation of the recommendations noted in this report.

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 borough should continue to maintain documentation related to this pension plan.

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

February 19, 2020

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE  
Auditor General

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PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN  
STATUS OF PRIOR FINDING

Noncompliance With Prior LPE Report Recommendation

Plymouth Borough has not complied with the prior LPE report recommendation concerning the following as further discussed in the Findings and Recommendations section of this report:

- Failure To Hold Pension Board Meetings

PLYMOUTH BOROUGH FIREMEN’S PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 - Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid**

Condition: The borough certified an ineligible firefighter (2 units) and overstated eligible payroll by \$25,600 on the Certification Form AG 385 filed in 2019. The firefighter was hired March 11, 2018 and did not become a participant in the borough’s pension plan until March 11, 2019. The data contained on this certification form is based on prior calendar year information.

Criteria: Pursuant to Act 205, at Section 402(e)(2), in order to be eligible for certification, an employee must have been employed on a full-time basis for at least six consecutive months and must have been participating in a pension plan during the certification year. In addition, the plan’s governing document (*Section 3 of Ordinance of May 10, 1988*) contains a more stringent one-year service requirement prior to a firefighter’s eligibility to participate in the firemen’s pension plan.

Cause: Plan officials failed to implement adequate internal control procedures, such as having at least two people review the data certified, to ensure the accuracy of the data certified and compliance with the prior recommendation as previously disclosed in the borough’s non-uniformed pension plan report.

Effect: The data submitted on this certification form is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Because the borough’s state aid allocation was based on unit value, the incorrect certification of pension data affected the borough’s state aid allocation, as identified below:

<u>Units Overstated</u>	<u>Unit Value</u>	<u>State Aid Overpayment</u>
2	\$ 5,121	\$ 10,242

It should be noted that the borough, after funding its 2019 minimum municipal obligations (MMOs) due the police, non-uniformed, and firemen’s pension plans, deposited the remaining 2019 state aid allocation, including the aforementioned overpayment, into the police pension plan.

Recommendation: Since the borough deposited the overpayment of state aid into its police pension plan, we recommend that the state aid overpayment, in the amount of \$10,242, be returned to the Commonwealth from *the borough’s police pension fund*. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 320 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 - (Continued)**

We also recommend that in the future, plan officials establish adequate internal control procedures, such as having at least two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

Management's Response: Municipal officials agreed with the finding without exception. Municipal officials will also review the plan document with their solicitor in order to amend the plan during their March 2020 council meeting.

Auditor's Conclusion: Compliance will be evaluated during our next plan engagement.

**Finding No. 2 - Noncompliance With Prior Recommendation - Failure To Hold Pension Board Meetings**

Condition: As disclosed in the prior report, the municipality failed to hold the minimum number of required pension board meetings in accordance with the plan document. A similar condition occurred during the current engagement period.

Criteria: Section 15, of the borough's ordinance dated May 10, 1988, states:

The Firemen's Pension Board shall hold a minimum of three (3) meetings per year during the months of April, July and October, on the second Wednesday of each month. If said meeting is continued or postponed for any reason, the meeting shall be held on the next day.

Cause: Plan officials again failed to adhere to the plan's governing document and ensure compliance with this department's prior recommendation.

Effect: The continued failure to hold required pension board meetings could lead to undetected errors or improprieties in plan transactions as well as deficiencies in authorizing and implementing pension plan policies and transactions.

Recommendation: We again recommend that plan officials hold the minimum number of pension board meetings as prescribed by the plan document and ensure that adequate minutes of the pension board meetings are recorded and maintained to evidence the pension board conducts its affairs with proper authorizations.



PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 - (Continued)**

Management's Response: Municipal officials agreed with the finding without exception. Municipal will review Ordinance of 1988 with their solicitor and make the necessary changes recommended by their solicitor.

Auditor's Conclusion: Based on the management response, it appears municipal official intend to comply with the finding recommendation. Compliance will be evaluated during the next plan engagement.

PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN  
POTENTIAL WITHHOLD OF STATE AID

Finding No. 1 contained in this report cites an overpayment of state aid to the borough in the amount of \$10,242, plus interest. A condition of this nature may lead to a total withholding of state aid in the future unless that finding is corrected. A check in this amount with interest, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania, and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2013	None	None
2014	None	None
2015	None	None
2016	\$ 200	None
2017	200	\$ 200
2018	100	None

PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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