

LIMITED PROCEDURES ENGAGEMENT

Vernon Township Non-Uniformed Employees Defined Contribution Pension Plan Crawford County, Pennsylvania For the Period January 1, 2016 to December 31, 2018

December 2019



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

Board of Township Supervisors
Vernon Township
Crawford County
Meadville, PA 16335

We conducted a Limited Procedures Engagement (LPE) of the Vernon Township Non-Uniformed Employees Defined Contribution 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 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.
- 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, 2015 to December 31, 2018, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether the January 1, 2017 actuarial valuation report was prepared and submitted by March 31, 2018, in accordance with Act 205 and whether selected information provided on this report 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 Vernon Township Non-Uniformed Employees Defined Contribution 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 finding further discussed later in this report:

Finding – Ineligible Employee Participating In Defined Contribution Pension Plan

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 Vernon 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.

November 26, 2019



EUGENE A. DEPASQUALE
Auditor General

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VERNON TOWNSHIP NON-UNIFORMED EMPLOYEES
DEFINED CONTRIBUTION PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Ineligible Employee Participating In Defined Contribution Pension Plan

Condition: In 2018, the township placed a member of the non-uniformed employees defined benefit plan, who was hired on June 27, 2005, into the non-uniformed employees defined contribution plan.

Criteria: Ordinance 2014-01 at Section 1, states:

The Township of Vernon, Crawford County, Pennsylvania hereby establishes a defined contribution pension plan for full-time non-uniformed employees of the Township of Vernon, Crawford County, Pennsylvania hired on or after January 1, 2015.

Cause: Municipal officials were not aware that the employee's hire date made her ineligible to participate in the defined contribution plan.

Effect: The failure to properly administer both of the non-uniformed pension plans in accordance with their plan documents could result in improper benefit calculations and incorrect benefit payments from the pension plans.

Recommendation: If it is the municipality's intent to allow employees hired prior to January 1, 2015 to participate in the defined contribution pension plan, we recommend municipal officials amend the plan's governing document accordingly. If not, we recommend that municipal officials consult with their solicitor and take appropriate steps to terminate the employee's participation in the defined contribution pension plan and reestablish active participation in the defined benefit pension plan.

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.

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

Year Ended December 31	State Aid	Employer Contributions
2016	None	\$ 1,192
2017	None	3,357
2018	None	7,620

The Department typically presents this data for the past six consecutive fiscal years. Since six years of data were not yet available, this will be done prospectively.

VERNON TOWNSHIP NON-UNIFORMED EMPLOYEES
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. Gary Wagner
Chairman, Board of Township Supervisors

Mr. Robert Horvat
Township Manager

Ms. Lori Swavey
Secretary

Ms. Amie Steadman
Assistant Secretary

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.