

LIMITED PROCEDURES ENGAGEMENT

Penn Township Non-Uniformed Pension Plan Berks County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

September 2018



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 Supervisors
Penn Township
Berks County
Bernville, PA 19506

We conducted a Limited Procedures Engagement (LPE) of the Penn Township Non-Uniformed 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 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 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 Penn Township Non-Uniformed 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 – Failure To Properly Fund Members’ Accounts

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 Penn 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.

September 18, 2018



EUGENE A. DEPASQUALE
Auditor General

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PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Failure To Properly Fund Members’ Accounts

Condition: The Township did not fully fund the accounts of 2 plan participants in 2015, 2 plan participants in 2016 and 2 plan participants in 2017 in the amounts of \$1,192, \$316 and \$990, respectively, in accordance with the plan’s governing document, as illustrated below:

<u>2015 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 4,735	\$ 4,139	\$ 596
2	4,735	4,139	596
Total			<u>\$ 1,192</u>

<u>2016 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 4,576	\$ 4,423	\$ 153
2	4,858	4,695	163
Total			<u>\$ 316</u>

<u>2017 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 5,016	\$ 4,538	\$ 478
2	5,355	4,843	511
Total			<u>\$ 990</u>

Criteria: The plan’s governing document, Ordinance No. 2001-05, which adopted a separately executed plan agreement with the plan’s custodian, established the municipal contribution rate at 11 percent of annual Compensation.

Cause: Plan officials failed to establish adequate internal control procedures to ensure that plan members’ accounts were properly funded in accordance with the provisions contained in the plan’s governing documents.

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

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 include interest on the delinquent contributions.

Recommendation: We recommend that the township deposit the contributions due to the members' accounts for the years 2015, 2016 and 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.

Management's Response: Municipal officials agreed with the finding without exception. According to municipal officials, Penn Township executed a check payable in the amount of \$2,498 on September 4, 2018 to fund the plan's underfunded pension amount disclosed above and an e-mail was sent on August 30, 2018 to the plan's consultant regarding the interest calculation on the overdue amount. As soon as the consultant provides the calculated interest amount owed to the pension plan, officials indicated that an additional check for the interest payable to the Penn Township Pension Fund will be written for the owed interest.

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

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

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 7,152	\$ 1,126
2013	7,769	509
2014	7,745	533
2015	7,842	436
2016	8,749	369
2017	9,177	205

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Kyle P. Loder
Chairman, Board of Township Supervisors

Mr. David B. Himmelberger
Vice-Chairman, Board of Township Supervisors

Ms. Sarah K. Mathias
Township Supervisor

Ms. Audrey C. Kirkhoff
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