

# LIMITED PROCEDURES ENGAGEMENT

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## Quemahoning Township Non-Uniformed Pension Plan Somerset County, Pennsylvania For the Period January 1, 2012 to December 31, 2014

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May 2016



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  
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www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

Board of Township Supervisors  
Quemahoning Township  
Somerset County  
Stoystown, PA 15563

We conducted a Limited Procedures Engagement (LPE) of the Quemahoning Township Non-Uniformed Pension Plan for the period January 1, 2012 to December 31, 2014 to determine its compliance with certain applicable state laws, regulations, contracts, administrative procedures and local ordinance 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 findings 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, 2009 to December 31, 2014, are presented on the Summary of Deposited State Aid and Employer Contributions.

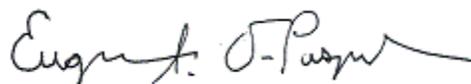
- × Whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these 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, 2009 to December 31, 2014, are presented on the Summary of Deposited State Aid and Employer Contributions.
- × Whether the January 1, 2011 and January 1, 2013 actuarial valuation reports were prepared and submitted to the Public Employee Retirement Commission (PERC) by March 31, 2012 and 2014, 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.
- × Whether the terms of the plan's unallocated insurance contract, including ownership and any restrictions, were in compliance with plan provisions, investment policies, and state regulations by comparing the terms of the contract with the plan's provisions, investment policies, and state regulations.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Quemahoning 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 subsequent to this letter:

Finding – Partial Compliance With Prior Audit Recommendation -  
Receipt Of State Aid In Excess Of Entitlement

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



EUGENE A. DEPASQUALE  
Auditor General

April 26, 2016

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QUEMAHONING TOWNSHIP NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendation

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

Adoption And Approval Of Resolution Amending Plan Benefit Provisions Not Adequately Documented

The township adopted a new governing ordinance on May 13, 2013, in accordance with Act 69 provisions. In addition, all of the plan's benefit provisions were approved by the township's board of auditors.

Partial Compliance With Prior Audit Recommendation

Quemahoning Township has partially complied with the prior audit recommendation concerning the following:

Receipt Of State Aid In Excess Of Entitlement

The township reimbursed \$1,133 to the Commonwealth for the excess state aid received in the year 2010. However, plan officials failed to reconcile the amount of state aid allocated to the non-uniformed pension plan with the plan's defined contribution pension costs in 2012, 2014 and 2015, as further discussed in the Finding and Recommendation section of this report.

QUEMAHONING TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Partial Compliance With Prior Audit Recommendation - Receipt Of State Aid In Excess Of Entitlement**

Condition: As disclosed in the prior audit report, the township received state aid in excess of the non-uniformed pension plan’s defined contribution pension costs for the year 2010. During the current audit period, the township reimbursed the Commonwealth for the excess state aid received; however, plan officials failed to reconcile the township’s annual state aid allocation to the plan’s defined contribution pension costs for the years 2012, 2014 and 2015, resulting in overpayments of state aid, as illustrated below:

	<u>2012</u>	<u>2014</u>	<u>2015</u>
State aid allocation	\$ 13,696	\$ 14,588	\$ 14,391
Actual municipal pension costs	<u>( 13,414)</u>	<u>( 14,390)</u>	<u>( 13,811)</u>
Excess state aid	<u>\$ 282</u>	<u>\$ 198</u>	<u>\$ 580</u>

Criteria: Section 402(f) (2) of Act 205 states:

No municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount which exceeds the aggregate actual financial requirements of any municipal pension plans for police officers, paid firefighters or employees other than police officers or paid firefighters maintained by the municipality, less the amount of any aggregate annual member or employee contributions during the next succeeding plan year, as reported in the most recent complete actuarial report filed with the commission.

Cause: Plan officials failed to establish adequate internal control procedures to ensure full compliance with the prior audit recommendation.

Effect: It is this department’s opinion that because the entire proceeds of the insurance premium tax on foreign casualty insurance companies are distributed annually to each eligible recipient municipality, it is inappropriate to use state aid received in one year to offset pension costs in other years. Consequently, the overpayments of state aid received in the years 2012, 2014 and 2015, must be returned to the Commonwealth for redistribution.

QUEMAHONING TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Recommendation: We recommend that the municipality return the \$1,060 of excess state aid received in the years 2012, 2014 and 2015 to the Commonwealth from the non-uniformed pension plan. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the 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 evidence of payment.

Furthermore, we recommend that in the future, plan officials reconcile the township's annual state aid allocation the plan's annual defined contribution pension costs and reimburse any excess state aid received to the Commonwealth.

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

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

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

Year Ended December 31	State Aid	Employer Contributions
2009	\$ 14,177	\$ 137
2010	13,452	None
2011	13,452	245
2012	13,696	None
2013	13,417	1,171
2014	14,588	None

QUEMAHONING TOWNSHIP NON-UNIFORMED PENSION PLAN  
DISTRIBUTION LIST

This letter was initially distributed to the following:

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

**Mr. Mark A. Cordan**  
Chairman, Board of Township Supervisors

**Mr. Jesse H. Shroyer**  
Township Supervisor

**Mr. Richard Meehleib**  
Township Supervisor

**Ms. Amanda M. Wyant**  
Township Secretary

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