

# LIMITED PROCEDURES ENGAGEMENT

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## Greenfield Township Police Pension Plan Lackawanna County, Pennsylvania For the Period January 1, 2012 to December 31, 2015

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January 2017



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  
Greenfield Township  
Lackawanna County  
Greenfield Township, PA 18407

We conducted a Limited Procedures Engagement (LPE) of the Greenfield Township Police Pension Plan for the period January 1, 2012 to December 31, 2015 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 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.
- 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.

- Whether the terms of the plan's allocated insurance contract, including ownership and any restrictions, were in compliance with plan 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 Greenfield Township Police 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 report:

Finding – Noncompliance With Prior Audit Recommendation – Failure To Properly Dispose Of Life Insurance Policy

The finding contained in this LPE report repeats a condition that was cited in our previous audit report that has not been corrected by township officials. We are concerned by the township's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation 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 township should continue to maintain documentation related to this pension plan.

The contents of this report were discussed with officials of Greenfield 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.

January 3, 2017



EUGENE A. DEPASQUALE  
Auditor General

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GREENFIELD TOWNSHIP POLICE PENSION PLAN  
STATUS OF PRIOR FINDING

Noncompliance With Prior Audit Recommendation

Greenfield Township has not complied with the prior audit recommendation concerning the following as further discussed in the Finding and Recommendation section of this report:

- Failure To Properly Dispose Of Life Insurance Policy

GREENFIELD TOWNSHIP POLICE PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Noncompliance With Prior Audit Recommendation – Failure To Properly Dispose Of Life Insurance Policy**

Condition: As disclosed in the prior audit report, on April 30, 2003, the township’s last active police officer was granted a pension benefit pursuant to the township’s fully insured defined benefit pension plan. The township cash surrendered 2 insurance policies to fund the pension benefits due to the retiree. However, a life insurance policy which is owned by the township and purchased with pension plan funds has not been properly disposed of by the township. The life insurance policy has a cash surrender value of \$61,536 as of October 14, 2016.

Criteria: Act 205 at Section 102 states, in part:

“Fully insured pension plan.” A pension plan for which an insurance carrier has, or a number of insurance carriers have, underwritten the total actuarial accrued liability of the benefit plan.

Pursuant to this funding arrangement, the insurance policies purchased and maintained on each active member are to be used to provide pension benefits.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the life insurance policy was properly disposed of when the police officer terminated his employment with the township.

Effect: The failure to properly dispose of the life insurance policy may result in the retiree and/or his beneficiary being provided a benefit to which he or she is not entitled in accordance with the plan’s governing document.

Recommendation: We again recommend that the township cash surrender the life insurance policy and deposit the proceeds into a pension plan account. We further recommend that the township, with the assistance of its solicitor, determine if there are any additional benefits due to the retiree and pay any future pension benefits from the proceeds of the life insurance policy.

Management’s Response: It is the position of the Greenfield Township supervisors to honor the request of retired police officer to keep in our possession the life insurance policy with the payment to his spouse upon his time of death. This request was made by the retiree at the time of his retirement.

Auditor’s Conclusion: We are concerned that the municipality has not complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so.

GREENFIELD TOWNSHIP POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Joseph G. Slebodnik**  
Chairman, Board of Township Supervisors

**Mr. Bruce Evans**  
Secretary/Treasurer

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).