

# LIMITED PROCEDURES ENGAGEMENT

---

## Lower Mount Bethel Township Non-Uniformed Employees' Pension Plan

Northampton County, Pennsylvania  
For the Period  
January 1, 2013 to December 31, 2016

---

April 2017



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  
Lower Mount Bethel Township  
Northampton County  
Martins Creek, PA 18063

We conducted a Limited Procedures Engagement (LPE) of the Lower Mount Bethel Township Non-Uniformed Employees' Pension Plan for the period January 1, 2013 to December 31, 2016 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, 2011 to December 31, 2016, 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, 2011 to December 31, 2016, 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 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, 2011, January 1, 2013 and January 1, 2015 actuarial valuation reports were prepared and submitted to the former Public Employee Retirement Commission (PERC) by March 31, 2012, 2014 and 2016, 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 Lower Mount Bethel Township Non-Uniformed Employees' 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 – Incorrect Data Certified On Actuarial Valuation Report Resulting In An Overpayment Of State Aid

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 Lower Mount Bethel 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.

April 7, 2017

  
EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Finding and Recommendation:	
Finding – Incorrect Data Certified On Actuarial Valuation Report Resulting In An Overpayment Of State Aid .....	1
Summary of Deposited State Aid and Employer Contributions .....	3
Report Distribution List .....	4

LOWER MOUNT BETHEL TOWNSHIP NON-UNIFORMED EMPLOYEES’  
PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Incorrect Data Certified On Actuarial Valuation Report Resulting In An Overpayment Of State Aid**

Condition: Actuarial valuation report form 203A, with a valuation date of January 1, 2013, submitted to the former Public Employee Retirement Commission (PERC), contained incorrect information. The township incorrectly reported a 6.0% municipal contribution rate on Line 37 when the actual contribution rate is 5.0%.

Criteria: Section 201(d) of Act 205 states:

Responsibility for preparation and filing of reports and investigations. The actuarial valuation report or experience investigation required pursuant to subsection (a) shall be prepared under the supervision and at the discretion of the chief administrative officer of the municipality, who shall be responsible for the filing of the document. The actuarial valuation report or experience investigation shall be signed by the chief administrative officer, indicating that to the extent of the understanding and knowledge of the officer, the report or investigation represents a true and accurate portrayal of the actuarial, financial and demographic condition of the pension plan of the municipality.

Cause: The discrepancy in the data submitted to the former PERC occurred because plan officials did not verify that the information was consistent with the plan’s governing document.

Effect: Because the municipality’s state aid allocations are determined, in part, by the information contained in the actuarial valuation report, the submission of incorrect data resulted in the municipality receiving state aid allocations for the years 2014 and 2015 incorrectly based on a normal cost percentage of 6.0%, instead of 5.0%. As a result, the township received excess state aid in the total amount of \$3,967, calculated as follows:

Year	Normal Cost	Payroll	State Aid Entitlement (a)	State Aid Received (b)	Excess State Aid (b-a)	State Aid Returned (c)	Excess State Aid Remaining (b-a)-(c)
2014	5.0%	\$ 194,467	\$ 9,723	\$ 11,668	\$ 1,945	\$ 1,557	\$ 388
2015	5.0%	\$ 202,213	10,111	12,133	2,022	1,635	387
		Total	<u>\$ 19,834</u>	<u>\$ 23,801</u>	<u>\$ 3,967</u>	<u>\$ 3,192</u>	<u>\$ 775</u>

LOWER MOUNT BETHEL TOWNSHIP NON-UNIFORMED EMPLOYEES'  
PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Because the township had previously returned excess state aid received during the years 2014 and 2015, the total excess state aid remaining to be returned to the Commonwealth is \$775.

Recommendation: We recommend that the total excess state aid, in the amount of \$775, be returned to the Commonwealth. 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, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with evidence of payment.

We also recommend that in the future, plan officials review and verify all information included on future actuarial valuation reports so they properly reflect the status of the pension plan.

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

Auditor's Conclusion: Compliance with the finding recommendation will be monitored subsequent to the release of the report and through our next engagement.

LOWER MOUNT BETHEL TOWNSHIP NON-UNIFORMED EMPLOYEES'  
PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2011	\$ 8,229	\$ 680
2012	8,910	255
2013	9,165	558
2014	10,111	None
2015	10,871	None
2016	10,404	None

LOWER MOUNT BETHEL TOWNSHIP NON-UNIFORMED EMPLOYEES'  
PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Stuart Gallaher**  
Chairman, Board of Township Supervisors

**Ms. Lori Stauffer**  
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).