

# LIMITED PROCEDURES ENGAGEMENT

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## Southampton Township Non-Uniformed Pension Plan Franklin County, Pennsylvania For the Period January 1, 2013 to December 31, 2016

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October 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

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We conducted a Limited Procedures Engagement (LPE) of the Southampton Township Non-Uniformed 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 retirement benefits calculated for plan members who retired during the engagement period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.
- 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.
- Whether the terms of the plan's allocated insurance contracts, including ownership and any restrictions, were in compliance with plan provisions, investment policies, and state regulations by comparing the terms of the contracts 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 Southampton 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 Member's Account

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 Southampton 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.

October 11, 2017



EUGENE A. DEPASQUALE  
Auditor General

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SOUTHAMPTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Failure To Properly Fund Member’s Account**

Condition: In 2014, the township did not properly fund the account of 1 plan member who has subsequently retired. The township owes \$319 to the retired member, as illustrated below:

Required Contributions	Actual Contributions	Contributions Due
\$ 1,278	\$ 959	\$ 319

Criteria: The plan’s governing document, Resolution No. 2009-05, which adopted a separately executed plan agreement with the plan’s custodian, established the municipal contribution rate at 10 percent of the participant’s plan compensation.

Cause: Township officials failed to establish adequate internal control procedures to ensure that the plan member’s account was properly funded in accordance with the provisions contained in the plan’s governing document.

Effect: The failure to properly fund the member’s account resulted in plan member being denied benefits to which he is entitled in accordance with the plan’s governing document.

Furthermore, due to the township’s failure to properly fund the member’s account, the township must now pay interest on the delinquent contributions.

Recommendation: We recommend that plan officials take appropriate action to ensure the retired plan member receives the contributions due to him, plus appropriate interest. A copy of the interest calculation should be maintained by the township for examination during our next engagement.

We also recommend that in the future, plan officials establish adequate internal control procedures to ensure that all member accounts are properly funded.

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

Auditor’s Conclusion: Compliance will be evaluated during our next engagement.

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

Year Ended December 31	State Aid	Employer Contributions
2011	\$ 24,352	\$ 1,290
2012	21,457	4,196
2013	23,306	3,482
2014	23,236	2,640
2015	23,525	3,854
2016	26,248	4,539

SOUTHAMPTON 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. Paul Witter**  
Chairman, Board of Township Supervisors

**Mr. Samuel Cressler**  
Secretary/Treasurer

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