

COMPLIANCE AUDIT

Jackson Township Non-Uniformed Pension Plan Greene County, Pennsylvania For the Period January 1, 2016 to December 31, 2019

February 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Board of Township Supervisors
Jackson Township
Greene County
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We have conducted a compliance audit of the Jackson Township Non-Uniformed Pension Plan for the period January 1, 2016 to December 31, 2019. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior report; and
2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined 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 period under audit.
- We determined 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.
- We determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our audit period.
- We determined that there were no benefit calculations prepared for the years covered by our audit period.
- We determined whether the January 1, 2015, January 1, 2017 and January 1, 2019 actuarial valuation reports were prepared and submitted by March 31, 2016, 2018, and 2020, 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.

The Jackson Township Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report, copies of which are available from the PMRS accounting office. PMRS's financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

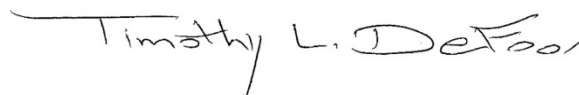
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Jackson Township Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the Jackson Township Non-Uniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed later in this report:

- Finding No. 1 – Partial Compliance With Prior Recommendation – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid
- Finding No. 2 – Failure To Maintain An Adequate Record-Keeping System To Effectively Monitor Activity of the Pension Plan
- Finding No. 3 – Failure To Implement Mandatory Act 44 Procedures For The Procurement Of Professional Services
- Finding No. 4 – Pension Plan Benefit Changes For Supervisor-Employee Implemented Without Approval Of Township Auditors
- Finding No. 5 – Incorrect Data Supplied By The Municipality For Actuarial Valuation Report Preparation

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Jackson Township and, where appropriate, their responses have been included in the report. We would like to thank township officials for the cooperation extended to us during the conduct of the audit.



TIMOTHY L. DEFOOR
Auditor General

January 8, 2021

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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). 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.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Jackson Township Non-Uniformed Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974 (P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

Act 69 - The Second Class Township Code, Act of May 1, 1933 (P.L. 103, No. 69), as reenacted and amended, 53 P.S. § 65101 et seq.

The Jackson Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 1-2000, and a separately executed plan agreement with the Pennsylvania Municipal Retirement System (PMRS), adopted pursuant to Act 15. The plan was established February 11, 1987. Active members are not required to contribute to the plan; however, the municipality was required to contribute \$900 in 2016, and \$4,100 in years 2017 through 2019, for each active member of the plan. As of December 31, 2019, the plan had 4 active members, 3 terminated members eligible for vested benefits in the future, and no retirees receiving pension benefits.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Recommendation

Jackson Township has complied with the prior recommendation concerning the following:

- Receipt Of State Aid In Excess Of Entitlement

During the current audit period, the township reimbursed \$793 to the Commonwealth for the excess state aid received in 2015 and 2016.

Partial Compliance With Prior Recommendation

Jackson Township has partially complied with the prior recommendation concerning the following:

- Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

During the current audit period, the township reimbursed \$541 to the Commonwealth for the overpayment of state aid received in 2013, 2014 and 2015; however, plan officials again failed to comply with the instructions that accompany Certification Form AG 385 as further discussed in the Finding No. 1 of this report.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Partial Compliance With Prior Recommendation – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: As disclosed in the Status of Prior Findings section of this report, the township partially complied with the prior recommendation by reimbursing the Commonwealth for the overpayment of state aid received in the prior period; however, plan officials again failed to comply with the instructions that accompany Certification Form AG 385 in the years 2016, 2017, 2018, 2019 and 2020.

During the current audit period, the township certified 3 ineligible non-uniformed employees in 2016, 4 ineligible non-uniformed employees in 2017, and 5 ineligible non-uniformed employees in 2018, 2019 and 2020 and overstated payroll by \$79,308, \$93,547, \$116,812, \$128,896 and \$124,529, respectively, on the Certification Form AG 385s filed in 2016, 2017, 2018, 2019 and 2020. The data contained on these certification forms is based on prior calendar year information.

Criteria: Pursuant to Act 205, at Section 402(e)(2), an employee who has been employed on a full-time basis for at least six consecutive months and has been participating in a pension plan during the certification year is eligible for certification. Additionally, the instructions accompanying Certification Form AG 385 prescribes the following criteria for certification purposes:

Each Non-Uniformed Employee MUST meet each of these conditions anytime between January 1st and December 31st of the *prior calendar year*:

- a. Be an active, full-time non-uniformed employee employed by the municipality.
- b. Be employed for any six (6) consecutive months during the *prior calendar year*.
- c. Work not less than 35 hours per week.
- d. Be a member of a non-uniformed employee pension plan and meet all of its requirements.

Furthermore, Section 402(j) of Act 205 states:

Administration. The Auditor General shall have the duty of administering the General Municipal Pension System State Aid Program. The Auditor General may promulgate rules and regulations necessary for the efficient administration of this program and may specify the form and content of any forms applicable to the program. The Auditor General, as deemed necessary, shall make an audit of every municipality which receives general municipal pension system State aid and of every municipal pension plan and fund in which general municipal pension system State aid is deposited.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: It is the position of the township that although their employees work less than 35 hours per week, these employees are considered full-time employees by township officials even though contrary to the form instructions. Additionally, the township lacked adequate internal control procedures, such as having another individual review the data certified to ensure compliance with the instructions that accompanied Certification Form AG 385 prior to submission.

Effect: The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plan. Because the township’s state aid allocations were based on pension costs, the impact on the township’s state aid allocations, is identified below:

<u>Year</u>	<u>Normal Cost</u>	<u>Payroll Overstated</u>	<u>State Aid Overpayment</u>
2016	5.0031%	\$ 79,308	\$ 3,968
2017	5.0031%	93,547	4,680
2018	3.8370%	116,812	4,482
2019	3.8300%	128,896	4,937
2020	15.8466%	124,529	<u>19,734</u>
		Total	<u><u>\$ 37,801</u></u>
Less: State aid returned for 2016 based on prior Finding			\$ 248
Less: State aid returned to the Commonwealth for 2020			<u>3,194</u>
		Total	<u><u>\$ 34,359</u></u>

In addition, the township used the overpayments of state aid to pay the minimum municipal obligations MMOs due to the non-uniformed pension plan; therefore, if the reimbursement to the Commonwealth is made from the pension plan, the plan’s MMOs will not be fully paid.

Furthermore, the township’s future state aid allocations may be withheld until the finding recommendation is complied with.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the overpayment of state aid in the amount of \$34,359, plus interest, 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 the check.

We also recommend that in the future, plan officials follow the instructions accompanying Certification Form AG 385 which outline the parameters necessary for certification and establish adequate internal control procedures, such as having at least 2 people review the data certified, to ensure compliance with such instructions to assist them in accurately reporting the required pension data.

In addition, the township used the overpayments of state aid to pay the MMOs due to the non-uniformed pension plan; therefore, if the reimbursement to the Commonwealth is made from the pension plan, the plan's MMOs will not be fully paid.

Management's Response: Management provided the following response:

The auditor made enough inquires and statements about the number of hours in a Township work week that we believe that Finding #1 is focused on the length of Jackson Township's work week and revolves around how many hours per week constitutes full time employment. The Auditor asserted that the benchmark for full time status was 35 hours per week. The Auditor was informed that Jackson Township schedules 4 8-hour work days (Monday through Thursday) per week. The Township Supervisors have determined that 32 hours per week is the amount of time that it takes on average to successfully carry out the duties of the township. The Township has made similar declarations at various times in the past to previous auditors as well as reports to state government entities, including the Department of the Auditor General. It must be noted that the Supervisors and other Township road maintenance employees are on call during the other 136 hours of the week. The Township's current Secretary/Treasurer is responsible for administering the Township pension plan and has performed this function since 2005. He discussed the full time status issue with the Municipal Pension auditors during the most recent previous audit at the time of the Exit Conference and was told by a senior member of the Bureau that "the Supervisors determine who is full time." At no other Pension Audit between 2005 and 2016-2017, to our recollection, was there any inquiry or discussion between the Township and the Municipal Pension auditors about full time status. Our solicitor recently advised us that the Pennsylvania Municipal Retirement System (PMRS) considers 30 hours per week to be full time.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Although the Township is not certain that Finding #1 is centered on the question of full time employment, we want to present additional information that we believe should be considered in this matter. First, we assert that the duly elected Board of Supervisors is the correct authority to make a determination as to who is a full time employee. Secondly, we assert that since the Supervisors and some non-Supervisor road maintenance employees are on call at all times when they are not working they are full time employees for that reason alone. Thirdly, should the Auditor General make a determination that there is a hard and fast metric of so many hours a week being the determining factor, then the Township should be allowed to use an alternate metric of the annual hours worked which would be equivalent to the full time weekly hours times 52 weeks. In 2016 and 2017, one employee each of those years would meet a 35 hour per week times (1820 hours per annum) threshold. In 2018, 2019 and 2020, two employees would exceed the 1820 hour threshold. Fourth, the Township's Secretary/Treasurer is a salaried employee, deemed by the Supervisors to be full time and is an active member of the Township's pension plan. Being salaried, this employee does not keep a set schedule nor complete a time sheet. We are unsure what to make of the second sentence in Finding #1; to wit: "If finding #1 is not complied with, this may lead to a total withholding of the state aid in the future unless the finding is corrected." This is so Kafkaesque it boggles the mind. The Township should not be punished for non-compliance of alleged incorrect data, if the Auditor refuses to make known what the specific errors are. Please rest assured, when we know what we are accused of, we will make any necessary corrections, or we will unilaterally withdraw from participating in the State Aid program.

Auditor's Conclusion: Based on the management response, the department acknowledges the position taken by the township; however, based on the Criteria noted above, which outlines the parameters necessary for certification on the AG 385, it is the township's responsibility to maintain appropriate, substantive documentation to ensure compliance with applicable state laws, regulations, administrative procedures, etc. The designation of an employee as full-time by Township Supervisors does not negate this requirement. Nor does it permit a metric of averaging hours based on the interpretation of the township. The plain language contained in the instructions as adopted by this Department requires that employees actually work not less than 35 hours per week for a period not less than 6 consecutive months for purposes of certification on the AG 385. Therefore, the finding remains as stated. Due to the potential withhold of state aid, the township's compliance with the finding recommendation will be monitored subsequent to the release of the report and through our next plan engagement.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure To Maintain An Adequate Record-Keeping System To Effectively Monitor Activity Of The Pension Plan

Condition: The township’s record-keeping system did not provide effective control over the transactional activity of the non-uniformed pension plan during 2019. Municipal officials were unable to furnish annual financial statements or custodial account transaction statements for the non-uniformed pension plan. These annual financial and account statements have historically been provided by the plan’s custodian, PMRS. However, as of the date of this report, annual financial and accounting statements summarizing the pension account activity have not been provided for the year 2019.

Criteria: An adequate system of accounting and record keeping is a prerequisite for sound administration of pension plans. In addition, assets held in a custodial account for the purpose of plan management are to be governed by the terms and provisions of the account contract, provided that the terms and provisions of the contract are within the parameters of all prevailing pension legislation. Although the municipality may contract with a trustee to administer the financial management of the plan, the fiduciary responsibility for the plan remains with the municipality.

Cause: Municipal officials indicated that the plan’s custodian, PMRS, failed to provide copies of the custodial account transaction statements summarizing activity of the pension plan account for the year 2019. In addition, municipal officials did not maintain a separate detailed accounting of pension plan transactions, which, among other things, helps assure the production of proper financial statements to effectively monitor the annual activity of the pension plan.

Effect: Although we were able to obtain alternate documentation from the municipality to evidence the propriety of the individual transactions tested during performance of the audit for the year 2019, the failure to maintain annual financial and/or account transaction statements prohibits municipal officials from effectively monitoring the plan’s financial operations. Additionally, inadequate monitoring of the pension plan account could lead to undetected errors or improprieties in account transactions, as well as deficiencies in authorizing and implementing pension plan policies and procedures.

Recommendation: We recommend that municipal officials contact the plan custodian and obtain annual financial statements of the custodial account of the non-uniformed pension plan for the year 2019 to ensure the accuracy and propriety of the transaction activity. In addition, we recommend that municipal officials establish and maintain a financial record-keeping system that allows the municipality to effectively monitor the plan’s financial operations, even in the absence of statements from the plan custodian. Municipal officials should refer to the Auditor General’s Bulletin No. 2-88 entitled “Preparation, Maintenance and Auditability of Financial Records,” for further guidance in establishing adequate accounting and record-keeping procedures.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management’s Response: Management provided the following:

The Township asserts that it does maintain an adequate record-keeping system to effectively monitor activity of the pension plan; whatever that means. The Auditor hinted to the Township, that this has something to do with a grievance that the Department of the Auditor General has with PMRS. If that is the case, the Township thinks that this is a misguided effort. The Township has no authority to correct problems with PMRS. We believe the Department of the Auditor General should deal directly with PMRS to satisfy any grievance that may exist. If this Finding is not directed at PMRS, please specify what is amiss.

Auditor’s Conclusion: As noted earlier in this report, the department’s authority to audit every municipality that receives general municipal pension system state aid is derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)). The department does not have the authority to audit plan custodians. In addition, as indicated in the Criteria above, although the municipality may contract with a trustee to administer the financial management of the plan, the fiduciary responsibility for the plan, including maintenance of records for purposes of meeting its accountability requirements, remains with the municipality. PMRS has indicated that they are in the process of preparing 2019 Year-End Financial Activity Reports and Annual Member Statements for all municipalities. PMRS has also indicated that they recently went through a substantial upgrade to the plan administration software and implemented a new accounting system. This transition, in addition to disruptions in normal government operation due to COVID-19, has resulted in a three to four month delay in the 2019 year-end reporting process. Compliance with the finding recommendation will be evaluated during our next audit of the plan.

Finding No. 3 – Failure To Implement Mandatory Act 44 Procedures For The Procurement Of Professional Services

Condition: During the conduct of the prior audit, plan officials were notified verbally of the passage of Act 44 of 2009, which effectively amended Act 205 for the procurement of professional services contracts, and it was recommended that the township adopt the mandatory provisions, accordingly. However, as of the date of this report, formal procedures have not been adopted.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Section 701-A of Act 205, as amended by Act 44 of 2009, defines a “Professional Services Contract”, as follows:

“Professional services contract.” A contract to which the municipal pension system is a party that is:

- (1) for the purchase or provision of professional services, including investment services, legal services, real estate services and other consulting services; and
- (2) not subject to a requirement that the lowest bid be accepted.

In addition, Section 702-A (a) of Act 205 states in part:

Each municipal pension system ... shall develop procedures to select the most qualified person to enter into a professional services contract. The procedures shall ensure that the availability of a professional services contract is advertised to potential participants in a timely and efficient manner. Procedures shall include applications and disclosure forms to be used to submit a proposal for review and to receive the award of a professional services contract.

Additionally, Section 702-A (c), (e), (f) and (h) state, in part:

Review. Procedures to select the most qualified person shall include a review of the person’s qualifications, experience and expertise and the compensation to be charged.

Conflict of interest. The municipal pension system shall adopt policies relating to potential conflicts of interest in the review of a proposal or the negotiation of a contract.

Public information. Following the award of a professional services contract, all applications and disclosure forms shall be public except for proprietary information or other information protected by law.

Notice and summary. The relevant factors that resulted in the award of the professional services contract must be summarized in a written statement to be included in or attached to the documents awarding the contract. Within ten days of the award of the professional services contract, the original application, a summary of the basis for the award and all required disclosure forms must be transmitted to all unsuccessful applications and posted on the municipal pension system’s internet website, if an internet website is maintained, at least seven days prior to the execution of the professional services contract.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: Plan officials failed to establish adequate internal control procedures to ensure compliance with provisions of Act 205 as previously recommended.

Effect: The township’s failure to comply in all respects with the previous recommendation and the provisions stipulated in Act 205 regarding the procurement of professional investment and advisory services for the township’s pension plan may result in a general lack of overall transparency of the actions taken by plan officials relative to the awarding of the investment and advisory services contract for the township’s pension plan.

Recommendation: We recommend that municipal officials obtain a comprehensive understanding of Act 205 provisions for the procurement of professional services. In addition, municipal officials should develop and implement formal written procedures to ensure compliance with these provisions, as well as maintain appropriate and sufficient supporting documentation evidencing every phase of the process in the awarding of future professional services contracts for the pension plan. This should include authorizations and approvals of township officials in the official minutes of formal board meetings and the required notifications and disclosure responsibilities to ensure the transparency of the actions taken by plan officials relative to the awarding of future professional services contracts.

Management’s Response: Management provided the following:

On September 1, 2020, after discussion with Auditor, the Township adopted Ordinance 001-2020; “An Ordinance Of Jackson Township, Greene County, Commonwealth Of Pennsylvania, Electing To Amend Its Non-uniform Pension Plan Administered By The Pennsylvania Municipal Retirement System Pursuant To Article IV Of The Pennsylvania Municipal Retirement Law As Amended And As Applicable To Member Municipalities”. We can provide a complete copy of this Ordinance.

Auditor’s Conclusion: Based on the management response, a copy of Ordinance No. 001-2020 was provided to this department; however, the mandatory provisions for the procurement of professional services required under Act 44, as outlined in the Criteria section above, were not specifically outlined in the newly adopted ordinance. Therefore, the finding remains as stated. It is concerning that despite drafting an ordinance purportedly aimed at addressing the requirements under Act 44, the township still has yet to properly codify procedures pursuant to the mandatory provisions for the procurement of professional services. Failing to comply with Act 44 requirements may result in a lack of transparency when procuring professional services.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Pension Plan Benefit Changes For Supervisor-Employee Implemented Without Approval Of Township Auditors

Condition: The Jackson Township pension plan was amended without the approval of the township auditors as required by Act 69. Township officials changed the employer contributions from \$900 to \$4,100 per year per member.

Criteria: Section 606(b)(3) of Act 69 states:

No change in the nature or rate of the contributions of a defined contribution plan and no change in the benefit formula of a defined benefit plan shall be initiated by the board of supervisors with respect to a supervisor-employee without auditor approval.

Cause: Plan officials were unaware of the applicable provisions of Act 69 regarding the amendment of pension plan provisions.

Effect: The amendment of plan contribution provisions without auditor approval could result in unauthorized pension benefits being paid from plan assets.

Recommendation: We recommend that the express approval of the board of auditors be obtained for all amendments to the plan’s provisions.

Management’s Response: The township provided the following response:

In May of 2017, upon advice and counsel of our Solicitor, the Township passed a Resolution increasing the Township’s pension contribution from \$900 per annum per active member to \$4,100 per annum per active member, retroactive to the start of 2017. The Auditor has a copy of this Resolution and subsequent ones for following years. What the Solicitor forgot to have us do was get the approval of the Township Auditors. We think that this got overlooked because of the timing of the Resolution. Nevertheless, it wasn’t done properly. In 2018, the matter was visited for the first time and the Township Auditors approved...“the \$4,100 amount for 5 employees until the dollar amount changes.”

Auditor’s Conclusion: We were unable to verify management’s assertion above that stated that the township auditors approved “the \$4,100 amount for 5 employees until the dollar amount changes” at the time of our audit; however, based on the management response, it appears municipal officials intend to comply with the finding recommendation. Compliance will be evaluated during our next audit of the plan.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Incorrect Data Supplied By The Municipality For Actuarial Valuation Report Preparation

Condition: The actuarial valuation report (AVR) form type A for the non-uniformed pension plan with a valuation date of January 1, 2017 that was submitted to the former Public Employee Retirement Commission (PERC) and the actuarial valuation report with a valuation date of January 1, 2019 that was submitted to the Municipal Pension Reporting Program (MPRP) contained incorrect information. The municipality supplied the following incorrect information:

Under Section IV C on the 2017 AVR and Section 2 C on the 2019 AVR, the township provided that no employees work less than 35 hours per week. However, based on records provided by the township, it was determined that all employees in the pension plan work less than 35 hours per week.

Additionally, the 2019 AVR was not prepared/submitted timely in accordance with Act 205. The AVR was submitted by officials on 8/27/2020.

Criteria: Section 201(a) of Act 205 states, in part:

Each municipality which has established or maintains a pension plan for its employees, including any municipality which participates in the Pennsylvania Municipal Retirement System, shall cause to be made actuarial valuation reports. Actuarial valuation reports shall be made biennially...

In addition, Section 201(b) of Act 205 states, in part:

The biennial actuarial valuation report required pursuant to subsection (a) shall be made as of the beginning of each plan year occurring in an odd-numbered calendar year and shall be filed with the executive director of the commission no later than the last business day of March occurring in the following calendar year.

Furthermore, 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.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Cause: As disclosed in Finding No. 1, it is the position of the township that although their employees work less than 35 hours per week, employees are considered full-time by the township even though contrary to the demographic information requested on the actuarial valuation reporting form. In addition, the township lacked adequate internal control procedures to ensure the accuracy of the data certified on the valuation report as well as the timeliness of report submission in accordance with Act 205.

Effect: Because the municipality's state aid allocation is determined, in part, by the information contained in the actuarial valuation report, the submission of incorrect data by the municipality resulted in the municipality receiving an incorrect allocation of state aid as described earlier in Finding No. 1.

Recommendation: We recommend that, in the future, plan officials review and verify all information submitted to the MPRP so that future AVRs properly reflect the status of the pension plan and that these reports are submitted timely in accordance with Act 205.

Management's Response: The township provided the following response:

The Township has the same quarrel with this finding as with Findings #1 and #2. The Finding does not provide enough information to rationally respond to. We don't even have a hint to what is alleged in this finding.

Auditor's Conclusion: As noted in the recommendation above, we recommend plan officials provide accurate information, including responses to questions under Step 2 – General Information on subsequent AVRs filed for the pension plan, and submit the subsequent AVRs by the March 31 deadline disclosed in Act 205, as summarized in the Criteria section above, accordingly. Compliance will be evaluated during our next audit of the plan.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

Finding No. 1 contained in this audit report cites an overpayment of state aid to the township in the amount of \$34,359, plus interest. A condition of this nature may lead to a total withholding of state aid in the future unless that finding is corrected. A check in this amount with interest, 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.

JACKSON TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contribution (SRC)*	Contributions In Relation to the SRC*	Contribution Deficiency (Excess)	Covered- Employee Payroll *****	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 2,800	\$ 2,776	\$ 24	\$ 71,956	3.86%
2015	2,800	3,509	**(709)	79,308	4.42%
2016	3,700	3,968	***(-268)	93,547	4.24%
2017	20,620	20,640	(20)	113,250	18.23%
2018	20,640	15,515	****5,125	129,365	11.99%
2019	18,590	18,590	-		

* The Statutorily Required Contribution is a contribution amount based upon the payroll and the contribution rate as outlined under the terms of the cash balance pension plan.

** Variance (\$709) is due to excess state deposited into the pension plan, which was returned to the Commonwealth.

*** Variance (\$248) is due to excess state deposited into the pension plan, which was returned back to the Commonwealth while the remaining (\$20) amount represents administrative expenses.

**** The amount was deposited in January 2019.

***** Due to the timing of this audit, covered-employee payroll for 2019 was not provided in this schedule.

JACKSON 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. Leroy McGlone
Chairman, Board of Township Supervisors

Mr. Richard Kerch
Chief Administrative Officer

Ms. Charity Rosenberry, CPA
Pennsylvania Municipal Retirement System

This report is a matter of public record and is available online at 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.