

# LIMITED PROCEDURES ENGAGEMENT

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## Kingston Township Non-Uniformed Employees Pension Plan

Luzerne County, Pennsylvania  
For the Period  
January 1, 2016 to December 31, 2018

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September 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

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Shavertown, PA 18708

We conducted a Limited Procedures Engagement (LPE) of the Kingston Township Non-Uniformed Employees Pension Plan for the period January 1, 2016 to December 31, 2018 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 findings contained in our prior LPE 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, 2013 to December 31, 2018, 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, 2013 to December 31, 2018, 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 total 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, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2016 and 2018, 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 Kingston 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 – Partial Compliance With Prior LPE Report Recommendation –  
Allocation 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 report were discussed with officials of Kingston 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.

August 22, 2019



EUGENE A. DEPASQUALE  
Auditor General

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KINGSTON TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior LPE Report Recommendation

Kingston Township has complied with the prior LPE report recommendation concerning the following:

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

During the current engagement period, the township reimbursed \$665 to the Commonwealth for the overpayment of state aid received in 2013.

Partial Compliance With Prior LPE Report Recommendation

Kingston Township has partially complied with the prior LPE report recommendation concerning the following:

- Allocation Of State Aid In Excess Of Entitlement

During the current engagement period, municipal officials allocated \$6,016 of 2012 state aid to the township's defined benefit police pension plan; however, plan officials failed to reconcile the amount of state aid allocated to the non-uniformed employees pension plan with the pension plan's defined contribution pension costs in 2017, as further discussed in the Finding and Recommendation section of this report.

KINGSTON TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Partial Compliance With Prior LPE Report Recommendation – Allocation Of State Aid In Excess Of Entitlement**

Condition: As disclosed in the Status of Prior Findings section of this report, the township partially complied with our prior recommendation by allocating \$6,016 of 2012 state aid to the township’s defined benefit police pension plan; however, plan officials again failed to reconcile the amount of state aid allocated to the non-uniformed employees pension plan and any available employee forfeiture with the plan’s defined contribution pension costs in 2017, as illustrated below:

State aid allocated to plan	\$ 40,280
Forfeiture available	5,712
Actual municipal pension costs	<u>(40,464)</u>
Excess state aid	<u>\$ 5,528</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 plan 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.

In addition, Section 36(j) of the plan’s adoption agreement states:

Forfeitures of matching contributions will be used to reduce the Employer’s matching contribution.

Cause: Plan officials failed to implement adequate internal control procedures to annually reconcile the amount of state aid allocated to the pension plan and employee forfeitures available to reduce municipal contributions with the plan’s actual defined contribution pension costs and ensure full compliance with the prior recommendation.

KINGSTON TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Effect: It is this department's opinion that, since 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 in one year to offset pension costs in other years; however, the township does have the option to allocate the excess state aid to its defined benefit pension plan.

Recommendation: We recommend that municipal officials allocate the \$5,528 of excess state aid to the township's defined benefit pension plan.

In addition, we again recommend that, in the future, plan officials reconcile the amount of state aid allocated to the non-uniformed employees' pension plan and any available employee forfeitures with the pension plan's defined contribution pension costs.

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

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

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

Year Ended December 31	State Aid	Employer Contributions
2013	\$ 6,701	\$ 28,201
2014	22,266	12,973
2015	34,174	None
2016	38,014	None
2017	40,280	184
2018	44,435	None



KINGSTON 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. James Reino**  
Chairman, Board of Township Supervisors

**Ms. Kathleen J. Sebastian**  
Township Manager

**Ms. Karen Rose**  
Assistant Township Manager

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