

LIMITED PROCEDURES ENGAGEMENT

Lower Salford Township Non-Uniformed Defined Contribution Pension Plan Montgomery County, Pennsylvania For the Period January 1, 2017 to December 31, 2018

April 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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Board of Township Supervisors
Lower Salford Township
Montgomery County
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We conducted a Limited Procedures Engagement (LPE) of the Lower Salford Township Non-Uniformed Defined Contribution Pension Plan for the period January 1, 2017 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 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. Employer contributions that were deposited into the pension plan for the years ended December 31, 2017 to December 31, 2018, 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 monthly 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, 2017 actuarial valuation reports were prepared and submitted by March 31, 2018, 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 Salford Township Non-Uniformed Defined Contribution 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 – Municipal Contributions Made In Excess Of Contributions Required
To Fund The Plan

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 Salford 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 3, 2019



EUGENE A. DEPASQUALE
Auditor General

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LOWER SALFORD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION
PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

Condition: The township made contributions to the non-uniformed defined contribution pension plan in excess of contributions required to fund the plan, as illustrated below:

	<u>2017</u>	<u>2018</u>	<u>Total</u>
Actual municipal contributions made	\$ 13,248	\$ 25,353	\$ 38,601
Municipal contributions required to fund plan	(9,623)	(16,043)	(25,666)
Excess municipal contributions	\$ 3,625	\$ 9,310	\$ 12,935

Criteria: Section 3.1 of Resolution 2016-04 states:

The total amount of the contribution to the Trust Fund to be made by the Employer for each Plan Year shall be equal to five percent (5%) of Compensation while an active Participant plus the amount of any administrative expenses which are to be paid from the Trust.

Cause: The township did not have adequate internal control procedures in place to ensure that municipal contributions would not exceed the required contributions outlined in the plan’s governing document. Township officials deposited the calculated MMO in addition to the contributions required by the plan’s governing document.

Effect: The township made contributions to the non-uniformed defined contribution pension plan in excess of contributions required to fund the pension plan in the amount of \$12,935.

It is the opinion of this department that the township’s failure to withdraw excess municipal contributions made in prior years does not preclude the township from withdrawing the municipal contributions maintained in the unallocated reserve fund at this time.

Recommendation: We recommend that the township withdraw the excess municipal contributions by transferring the assets to the township’s general fund. In addition, any interest income earned on assets held in the account to the date of transfer should also be transferred to the general fund.

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.

LOWER SALFORD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION
PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2017	None	\$ 13,248
2018	None	25,353

The Department typically presents this data for the past six consecutive fiscal years. Since six years of data were not yet available, this will be done prospectively.

LOWER SALFORD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION
PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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