

# LIMITED PROCEDURES ENGAGEMENT

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## Mount Pleasant Township Board of Supervisors Money Purchase Pension Plan Washington County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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December 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

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Mount Pleasant Township  
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We conducted a Limited Procedures Engagement (LPE) of the Mount Pleasant Township Board of Supervisors Money Purchase Pension Plan for the period January 1, 2014 to December 31, 2017 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, 2012 to December 31, 2017, 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, 2012 to December 31, 2017, 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, 2013, January 1, 2015, and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2014, 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 Mount Pleasant Township Board of Supervisors Money Purchase 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 findings further discussed later in this report:

Finding No. 1 – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid

Finding No. 2 – 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 Mount Pleasant 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.

December 12, 2018



EUGENE A. DEPASQUALE  
Auditor General

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MOUNT PLEASANT TOWNSHIP BOARD OF SUPERVISORS MONEY PURCHASE  
PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid**

Condition: The township failed to certify 1 eligible police officer (2 units) on the Certification Form AG 385 filed in 2015 and also made a mathematical error on the roster that supports the form resulting in an overstatement of payroll in the amount of \$11,000. In addition, subsequent to the current engagement period, the township failed to certify 1 eligible non-uniformed employee (1 unit) and understated payroll by \$22,998 on the Certification Form AG 385 filed in 2018. 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.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified.

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 plans.

The township’s original state aid allocation for 2015 was based on unit value in the amount of \$47,050 (12 units at \$3,920.83). However, based on the corrected information, the township was entitled to an allocation of \$45,990 based on their plans’ total pension costs. Therefore, the township received an overpayment of state aid in the amount of \$1,060 in 2015.

In addition, because the township’s 2018 state aid allocation was based on pension costs, the township received an underpayment of state aid of \$1,943 in 2018, as identified below:

Type Of Plan	Normal Cost	Payroll Understated	State Aid Underpayment
Non-Uniformed	8.45%	\$ 22,998	\$ 1,943

Therefore, as a result of the certification errors in 2015 and 2018, the township received a net underpayment of state aid in the amount of \$883.

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**Finding No. 1 – (Continued)**

Although the additional state aid will be allocated to the township, the full amount of the 2018 state aid allocation was not available to be deposited timely and therefore was not available to pay operating expenses or for investment.

Recommendation: We recommend that plan officials establish adequate internal control procedures, such as having at least two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

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

Auditor’s Conclusion: Compliance will be subject to verification through our next engagement.

**Finding No. 2 – Allocation Of State Aid In Excess Of Entitlement**

Condition: In 2014 and 2017, the township allocated state aid to the board of supervisors money purchase pension plan in excess of the plan’s defined contribution pension costs for full-time plan members under Act 205, as illustrated below:

	<u>2014</u>	<u>2017</u>
State aid allocation	\$ 36,517	\$ 26,764
Less: Actual municipal pension costs	<u>(30,103)</u>	<u>(25,558)</u>
Excess state aid	<u>\$ 6,414</u>	<u>\$ 1,206</u>

We note that on October 19, 2018, the township reallocated \$2,204 of the excess state aid for 2014 to the defined benefit police pension plan. Therefore, the remaining balance of excess state aid in the board of supervisors money purchase pension plan for 2014 is \$4,210.

MOUNT PLEASANT TOWNSHIP BOARD OF SUPERVISORS MONEY PURCHASE  
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**Finding No. 2 – (Continued)**

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 plans 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 402(d) of Act 205 states, in part:

Eligible recipients of general municipal pension system State aid. Any county of the second class which, prior to the effective date of this chapter, received allocations for its police pension fund pursuant to the act of May 12, 1943 (P.L. 259, No. 120), or any city, borough, incorporated town or township or any home rule municipality formerly classified as a city, borough, incorporated town or township which employs one or more full-time municipal employees. . . .

Furthermore, Section 402(e)(2) of Act 205 states, in part:

The applicable number of units shall be attributable to each active employee who was employed on a full-time basis for a minimum of six consecutive months. . . .

Therefore, Act 205 state aid funding may only be used to fund the pension costs attributable to full-time employees.

Cause: Plan officials failed to reconcile the township’s allocations of state aid to the plan’s annual defined contribution pension costs attributable to full-time plan members.

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.

MOUNT PLEASANT TOWNSHIP BOARD OF SUPERVISORS MONEY PURCHASE  
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**Finding No. 2 – (Continued)**

Recommendation: We recommend that municipal officials allocate the \$5,416 of excess state aid to the township's defined benefit pension plan.

In addition, we recommend that, in the future, plan officials reconcile the amount of state aid allocated to the board of supervisors money purchase pension plan and municipal contributions made to the pension plan with the pension plan's defined contribution pension costs for full-time employees.

Management's Response: Municipal officials agreed with the finding without exception. On December 11, 2018, municipal officials submitted a check to PMRS in the amount of \$6,533 to be deposited into the township's defined benefit police pension plan, representing the excess state aid allocated to the board of supervisors money purchase pension plan in 2014 and 2017 with applicable interest.

Auditor's Conclusion: Based on the management response, it appears municipal officials intend to comply with the finding recommendation. The township's full compliance with the finding recommendation will be evaluated during our next engagement.



MOUNT PLEASANT TOWNSHIP BOARD OF SUPERVISORS MONEY PURCHASE  
PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 28,609	\$ 3,832
2013	29,397	5,039
2014	36,517	None
2015	31,345	4,105
2016	23,243	2,674
2017	26,764	910

MOUNT PLEASANT TOWNSHIP BOARD OF SUPERVISORS MONEY PURCHASE  
PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Gary R. Farner**  
Chairman, Board of Township Supervisors

**Mr. Donald Reed**  
Vice Chairman, Board of Township Supervisors

**Mr. George Rice**  
Township Supervisor

**Ms. Erin Sakalik**  
Township Manager

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