

# LIMITED PROCEDURES ENGAGEMENT

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## New Britain Borough Non-Uniformed Defined Contribution Pension Plan Bucks County, Pennsylvania For the Period January 1, 2015 to December 31, 2017

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April 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Mayor and Borough Council  
New Britain Borough  
Bucks County  
New Britain, PA 18901

We conducted a Limited Procedures Engagement (LPE) of the New Britain Borough Non-Uniformed Defined Contribution Pension Plan for the period January 1, 2015 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, 2015 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, 2015 to December 31, 2017 are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether the January 1, 2017 actuarial valuation report was prepared and submitted by March 31, 2018, in accordance with Act 205 and whether selected information provided on this report 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 New Britain Borough 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 – Failure To Properly Fund Members’ Accounts

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 borough should continue to maintain documentation related to this pension plan.

The contents of this report were discussed with officials of New Britain Borough and, where appropriate, their responses have been included in this report.

April 5, 2018



EUGENE A. DEPASQUALE  
Auditor General

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NEW BRITAIN BOROUGH NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Failure To Properly Fund Members’ Accounts**

Condition: In 2015, the borough did not fund the accounts of two employees who became plan members in 2015 as illustrated below:

<u>Employee Hire Date</u>	<u>Actual Contributions</u>	<u>Required Contributions</u>	<u>Contributions Due</u>
03/09/15	\$ -	\$ 1,326	\$ 1,326
12/08/15	-	125	125
		Total	<u><u>\$ 1,451</u></u>

Criteria: The plan’s governing document, Ordinance No. 367, sets the municipal contribution rate at 5 percent of participant’s salary up to a maximum of \$3,800 per full-time employee.

Cause: Plan officials failed to establish adequate internal control procedures to ensure that the plan members’ accounts were properly funded.

Effect: The failure to properly fund the plan could result in plan members being denied benefits to which they are entitled in accordance with the plan’s governing document.

Recommendation: We recommend that the borough deposit the contributions due the members’ accounts for the year 2015 in the amount of \$1,451, with interest from the year in which the contribution was due until the contribution is made. A copy of the interest calculation must be maintained by the borough for examination during our next engagement of the plan.

We also recommend that, in the future, borough officials properly fund the accounts of all eligible plan members.

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.

NEW BRITAIN BOROUGH NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2015	None	None
2016	None	\$ 5,360
2017	\$ 1,605	4,000

The Department typically presents this data as of the plan's actuarial valuation dates for the past six consecutive fiscal years. Since six years of data were not yet available, this will be done prospectively.

NEW BRITAIN BOROUGH NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
REPORT DISTRIBUTION LIST

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