

LIMITED PROCEDURES ENGAGEMENT

Ohioville Borough Police Pension Plan Beaver County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

January 2019



Commonwealth of Pennsylvania
Department of the Auditor General

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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Mayor and Borough Council
Ohioville Borough
Beaver County
Industry, PA 15052

We conducted a Limited Procedures Engagement (LPE) of the Ohioville Borough Police 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 municipal officials took appropriate corrective action to address the findings contained in our prior audit 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, 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 Police 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 – Untimely Deposit Of State Aid

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 Ohioville Borough and, where appropriate, their responses have been included in this report. We would like to thank borough officials for the cooperation extended to us during the conduct of this LPE.

January 22, 2019



EUGENE A. DEPASQUALE
Auditor General

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OHIOVILLE BOROUGH POLICE PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Report Recommendations

Ohioville Borough has complied with the prior audit recommendations concerning the following:

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

Municipal officials reimbursed \$8,668 to the Commonwealth for the overpayment of state aid and complied with the instructions that accompanied Certification Form AG 385 and accurately reported the required data during the current period.

- Unauthorized Compensation Used To Calculate Pension Contributions

The borough received restitution from the former terminated member representing the excess pension contributions made during prior years that were based on unauthorized compensation.

OHIOVILLE BOROUGH POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Untimely Deposit Of State Aid

Condition: The municipality did not deposit its annual state aid allocations received during the years 2014 through 2018 into an eligible pension plan within the 30 day grace period allowed by Act 205. The municipality received its 2014, 2015, 2016, 2017 and 2018 state aid allocations in the amounts of \$22,213, \$30,951, \$35,004, \$34,262 and \$37,475, respectively, on September 25, 2014, September 30, 2015, September 27, 2016, September 27, 2017, and September 20, 2018, respectively; however, the borough did not deposit these funds into its police and/or non-uniformed pension plans until December 30, 2014, December 17, 2015, December 20, 2016, December 18, 2017, and December 11, 2018, respectively.

Criteria: Section 402(g) of Act 205 states, in part:

. . . the total amount of the general municipal pension system State aid received by the municipality shall, within 30 days of receipt by the treasurer of the municipality, be deposited in the pension funds or the alternate funding mechanisms applicable to the respective pension plans.

Cause: The borough’s annual allocations of state aid were not deposited timely into the municipality’s pension plans because internal control procedures were not in effect to ensure the timely deposit of state aid in accordance with Act 205.

Effect: Although the state aid allocations were eventually deposited into the borough’s pension plans, the interest earned beyond the 30 day grace period was not deposited into the plans as prescribed in Act 205. When state aid is not deposited into a pension plan account in a timely manner, the funds are not available to pay operating expenses or for investment and the risk of misapplication is increased.

Recommendation: We recommend that the municipality pay into the borough’s pension plans the interest earned during the period beyond the 30 day grace period allowed by Act 205, compounded annually. A copy of the interest calculation must be maintained by the borough for examination during our next plan engagement.

We also recommend that plan officials develop and implement adequate internal control procedures to ensure that future state aid allocations are deposited timely in accordance with Act 205 requirements.

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

Auditor Conclusion: This compliance will be subject to verification through our next engagement.

OHIOVILLE BOROUGH POLICE PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 9,803	\$ 2,755
2013	7,700	1,064
2014	12,100	271
2015	13,799	1,229
2016	14,104	3
2017	12,577	None

OHIOVILLE BOROUGH POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Honorable Kevin Chaffee
Mayor

Mr. Robert J. Ward
Council President

Ms. Denise A. Cox
Council Vice President

Ms. Connie Vincik
Secretary/Treasurer

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.