

COMPLIANCE AUDIT

Plymouth Borough Firemen's Pension Plan Luzerne County, Pennsylvania For the Period January 1, 2019 to December 31, 2022

August 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and Borough Council
Plymouth Borough
Luzerne County
Plymouth, PA 18651

We have conducted a compliance audit of the Plymouth Borough Firemen's Pension Plan for the period January 1, 2019 to December 31, 2022. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior report; and
2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

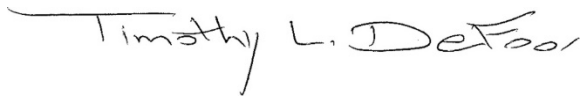
- We determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the period under audit. State aid allocations that were deposited into the pension plan for the years ended December 31, 2017 to December 31, 2022, are presented on the Summary of Deposited State Aid and Employer Contributions.
- We determined 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, 2022, are presented on the Summary of Deposited State Aid and Employer Contributions.
- We determined whether annual employee contributions 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 period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan. We also tested individual employee contributions for all three active employees employed during the audit period amounting to \$780, \$780, \$780, and \$780, for the years 2019, 2020, 2021, and 2022, respectively, made during the audit period.
- We determined that there were no benefit calculations prepared for the years covered by our audit period.
- We determined whether the January 1, 2019 and January 1, 2021 actuarial valuation reports were prepared and submitted by March 31, 2020 and 2022, 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.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Plymouth Borough Firemen's Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the Plymouth Borough Firemen's Pension Plan was 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 – Noncompliance With Prior Audit Recommendation – Failure To Hold Pension Board Meetings

The contents of this report were discussed with officials of Plymouth Borough and, where appropriate, their responses have been included in the report. We would like to thank borough officials for the cooperation extended to us during the conduct of the audit.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
July 25, 2023

CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Findings	2
Finding and Recommendation:	
Finding – Noncompliance With Prior Recommendation - Failure To Hold Pension Board Meetings.....	3
Summary of Deposited State Aid and Employer Contributions.....	4
Report Distribution List	5

BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). 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.

Annual state aid allocations are provided from a two percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Plymouth Borough Firemen's Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Plymouth Borough Firemen's Pension Plan is a single-employer pension plan locally controlled by the provisions of Ordinance No. 3 of 2020, as amended, enacted June 9, 2020. Prior to June 9, 2020, the plan was locally controlled by the provisions of an ordinance enacted May 10, 1988. The plan is also affected by the provisions of collective bargaining agreements between the borough and its firefighters. The plan was established January 1, 1977. Active members are required to contribute \$10 per pay period and may make voluntary contributions to the plan. The municipality maintains a pension plan with no defined contributions and variable pension or retirement benefits provided. As of December 31, 2022, the plan had three active members.

PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Recommendation

Plymouth Borough has complied with the prior recommendation concerning the following:

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

In June 2023, the borough remitted \$12,253 to the Commonwealth for the overpayment of state aid received in 2019.

Noncompliance With Prior Recommendation

Plymouth Borough has not complied with the prior recommendation concerning the following as further discussed in the Finding and Recommendation section of this report:

- Failure To Hold Pension Board Meetings

PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Recommendation - Failure To Hold Pension Board Meetings

Condition: As disclosed in the prior six reports, the municipality failed to hold the minimum number of required pension board meetings in accordance with the plan document. During the current audit period, the borough amended the meeting requirement, however, no official documented meetings were held.

Criteria: Section 15 of the borough's ordinance dated May 10, 1988, states:

The Firemen's Pension Board shall hold a minimum of three (3) meetings per year during the months of April, July and October, on the second Wednesday of each month. If said meeting is continued or postponed for any reason, the meeting shall be held on the next day.

During the current audit period, the borough enacted Ordinance No. 3 of 2020 which readopted and amended the pension plan and replaced the ordinance dated May 10, 1988. Section 15 was replaced with §38-15 which states:

The Chief Administrative Officer and two representatives of the Council shall hold a minimum of one meeting per year with the plan participants.

Cause: Plan officials again failed to adhere to the plan's governing document and ensure compliance with this department's prior recommendation.

Effect: The continued failure to hold required pension board meetings could lead to undetected errors or improprieties in plan transactions as well as deficiencies in authorizing and implementing pension plan policies and transactions.

Recommendation: We again recommend that plan officials hold the minimum number of pension board meetings as prescribed by the plan document and ensure that adequate minutes of the pension board meetings are recorded and maintained to evidence the pension board conducts its affairs with proper authorizations.

Management's Response: Municipal officials agreed with the finding without exception. The borough adopted Ordinance No. 6-2023 on July 6, 2023, repealing §38-13 and §38-15 which prescribed the Firemen's Pension Board and the meeting requirements, respectively.

Auditor's Conclusion: Based on the management response, it appears municipal officials have amended the plan's governing document to comply with the finding recommendation. Compliance will be evaluated during our next audit of the plan.

PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2017	\$ 200	\$ 200
2018	100	None
2019	300	None
2020	300	None
2021	300	None
2022	300	None

PLYMOUTH BOROUGH FIREMEN'S PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Frank Coughlin
Mayor

Mr. Ronald Kobusky
Council President

Ms. Gail R. Burdulis
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.