

LIMITED PROCEDURES ENGAGEMENT

Snyder Township Non-Uniformed Pension Plan Blair County, Pennsylvania For the Period January 1, 2015 to December 31, 2018

June 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Board of Township Supervisors
Snyder Township
Blair County
Tyrone, PA 16686

We conducted a Limited Procedures Engagement (LPE) of the Snyder Township Non-Uniformed Pension Plan for the period January 1, 2015 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2013 to December 31, 2018, 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, 2013 to December 31, 2018, are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether retirement benefits calculated for the lone plan member who retired and elected a lump-sum form of pension benefit subsequent to the current period but prior to the completion of our fieldwork procedures, 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 comparing the distributed amounts to supporting documentation evidencing amounts determined and actually paid to the recipient.
- Whether the January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 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.
- Whether the terms of the plan's allocated insurance contracts, including ownership and any restrictions, were in compliance with plan provisions, investment policies, and state regulations by comparing the terms of the contracts with the plan's provisions, investment policies, and state regulations.


Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Snyder Township Non-Uniformed 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 An Overpayment Of State Aid
- Finding No. 2 – Failure To Fund Member's Account
- Finding No. 3 – 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 township should continue to maintain documentation related to this pension plan.

The contents of this report were discussed with officials of Snyder 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.

June 13, 2019


 EUGENE A. DEPASQUALE
 Auditor General

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SNYDER TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: The township overstated payroll by \$2,656 on the Certification Form AG 385 filed in 2016 and overstated payroll by \$4,380 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), in order to be eligible for certification, an employee must have been employed on a full-time basis for at least six consecutive months and must have been participating in a pension plan during the certification year. Additionally, pursuant to the instructions that accompany Certification Form AG 385, the total payroll eligible to be certified should be Internal Revenue Service Form W-2 earnings pertaining to full-time positions.

Cause: Former plan officials failed to establish adequate internal control procedures to ensure the accuracy of the payroll data certified. There was a recent turnover in administrative personnel responsible for preparing the annual AG 385 certification forms and current officials were unable to determine the exact cause of the aforementioned payroll reporting errors which were made previously by former plan officials.

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 plan. Because the township’s state aid allocations were based on pension costs, the incorrect certification of pension data affected the township’s state aid allocations, as identified below:

<u>Year</u>	<u>Normal Cost %</u>	<u>Payroll Overstatement</u>	<u>State Aid Overpayment</u>
2016	10.18000%	\$ 2,656	\$ 270
2018	7.24403%	4,380	<u>317</u>
Total Overpayment Of State Aid			<u><u>\$ 587</u></u>

In addition, the township used the overpayments of state aid to pay the minimum municipal obligations (MMOs) due to the non-uniformed pension plan; therefore, if the reimbursement to the Commonwealth is made from the pension plan, the plan’s MMOs will not be fully paid.

Recommendation: We recommend that the total excess state aid, in the amount of \$587, plus interest, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

SNYDER TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: Municipal officials agreed to the finding and recommendation without exception.

Auditor's Conclusion: The township's compliance with the finding recommendation will be monitored subsequent to the release of the report and through our next engagement of the pension plan.

Finding No. 2 – Failure To Fund Member's Account

Condition: During 2015, the township did not fully fund the account of a full-time employee hired by the township on January 5, 2015 in accordance with the plan's governing document and the township's funding practice.

Criteria: Sections 3 and 4(b),(c) of the plan's governing document, Ordinance No. 2015-3, state the following:

- (3) All full-time Snyder Township employees shall be eligible to participate in the annuity or pension plans created, established and contracted for under this Ordinance upon the commencement of employment.

- 4(b) The Board of Supervisors may elect to contribute a sum not to exceed \$400 each year towards the pension plan of each participant.

- (c) Any additional contributions to the plan during any calendar year from any source other than contributions pursuant to Sections 4(a) and 4(b) of this Ordinance shall be divided equally among all participants in the plan who work or have worked for not less than six (6) months of the said calendar year.

Cause: Plan officials failed to implement adequate internal control procedures to ensure the accuracy of the contributions made during 2015. The townships' contributory practice is to contribute \$400 into each eligible member's account in January and then an additional contribution, typically in September, in an equal amount based on the amount of state aid received and the number of full-time active plan members deposited into each member's account as well. All plan members including a plan member who terminated service with the township on January 2, 2015 received a \$400 payment into their account; however, a similar contribution was not made and allocated to a member hired by the township on January 5, 2015 because an account was not set-up for this individual at the time of the initial annual contribution. This member's account was eventually established on by the township on March 25, 2015; however, the initial annual contribution was not made accordingly.

SNYDER TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued):

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. Due to township’s failure to properly fund the aforementioned member’s account, the township must now pay interest on the delinquent contribution.

Recommendation: We recommend that the township deposit the outstanding contribution due to the plan member’s account in the amount of \$400 for the year 2015, with interest, from the date of deposit of the municipal contributions which were made in that year to the date of deposit of the amount in arrears. A copy of the interest calculation must be maintained by the township for examination during our next audit of the plan.

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

Management’s Response: Municipal officials agreed to the finding and recommendation without exception.

Auditor’s Conclusion: Compliance will be evaluated during our next audit of the plan.

Finding No. 3 – Untimely Deposit Of State Aid

Condition: The municipality did not deposit its 2015, 2017 and 2018 state aid allocations into the pension plan within the 30 day grace period allowed by Act 205. The municipality received its 2015, 2017 and 2018 state aid allocations in the amounts of \$15,073, \$25,889 and \$19,946, respectively, on September 24, 2015, September 27, 2017, and September 20, 2018, respectively, but did not deposit the funds into its non-uniformed pension plan until October 30, 2015, November 13, 2017, and October 23, 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 fund or the alternate funding mechanism applicable to the pension plan.

Cause: The 2015, 2017 and 2018 state aid allocations were not deposited timely into the municipality’s pension plan because internal control procedures were not in effect to ensure the timely deposit of state aid.

SNYDER TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Effect: Although the state aid was deposited into the plan, the interest earned beyond the 30 day grace period was not deposited into the plan. 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 the non-uniformed pension plan 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 township for examination during our next audit of the plan.

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's Response: Municipal officials agreed to the finding and recommendation without exception.

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

SNYDER TOWNSHIP NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2013	\$ 14,844	\$ 1,600
2014	15,491	1,600
2015	15,073	1,600
2016	15,800	2,800
2017	25,889	2,800
2018	19,946	2,800

SNYDER TOWNSHIP NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. James Kost
Chairman, Board of Township Supervisors

Mr. James I. Burket
Vice-Chairman, Board of Township Supervisors

Mr. Robert Nelson
Township Supervisor

Ms. Dixie J. Confer
Secretary/Treasurer

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