

# LIMITED PROCEDURES ENGAGEMENT

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## West Hanover Township Non-Uniformed Pension Plan Dauphin County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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May 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

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Board of Township Supervisors  
West Hanover Township  
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We conducted a Limited Procedures Engagement (LPE) of the West Hanover Township Non-Uniformed 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.
- Whether the terms of the plan's unallocated insurance contract, including ownership and any restrictions, were in compliance with plan provisions, investment policies, and state regulations by comparing the terms of the contract 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 West Hanover 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 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 township should continue to maintain documentation related to this pension plan.

The contents of this report were discussed with officials of West Hanover 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.

May 2, 2018



EUGENE A. DEPASQUALE  
Auditor General

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WEST HANOVER TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

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

Condition: In 2016, the township deposited municipal contributions to the accounts of three employees who were not yet eligible to be members of the pension plan, as illustrated below:

Employee Hire Date	Employee Plan Entry Date	Actual Contributions	Required Contributions	Excess Contributions
07/27/15	1/1/17	\$ 3,336	\$ -	\$ 3,336
01/01/16	1/1/17	4,784	-	4,784
10/19/15	1/1/17	4,282	-	4,282
Total				<u>\$ 12,402</u>

Criteria: The plan’s governing document at Section 2.01(a), states in part:

An Employee shall first become an Active Participant (begin active participation in the plan) on the earliest Semi-yearly Date on which he is an Eligible Employee and has met the eligibility requirement set forth below. This date is his Entry Date.

(1) He has completed one year of Eligibility Service before his Entry Date.

The plan’s governing document at Section 1.02, defines:

Eligibility Service means one year of service for each Eligibility Computation Period in which an Employee is credited with at least 1,500 hours of service. The year of service shall be credited as of the last day of the Eligibility Computation Period.

Eligibility Computation Period means a consecutive 12-month period used to determine Eligibility Service. The first Eligibility Computation Period begins on an Employee’s Employment Commencement Date...

Cause: Plan officials failed to establish adequate internal control procedures to ensure that employees were eligible to be members of the plan and receive municipal contributions.

Effect: The failure to properly allocate contributions to the members’ accounts has resulted in certain plan members receiving benefits in excess of those to which they are entitled in accordance with the plan’s governing document. Furthermore, two of the employees subsequently terminated employment and their accounts were forfeited in accordance with the plan’s governing document.

WEST HANOVER TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Recommendation: We recommend that the township review the applicable members' accounts and make the adjustments deemed necessary to ensure that they are funded in accordance with the provisions contained in the plan's governing document.

We also recommend that plan officials implement adequate internal control procedures to ensure that, in the future, the members' accounts are properly funded in accordance with the provisions contained in the plan's governing document.

Management Response: Municipal officials agreed with the finding without exception and indicated the following action will be taken this year:

1. The following accounts will be handled accordingly:
  - a. For the employee hired January 1, 2016, monies in full will be accounted for as part of state aid payout for 2018. The amount will be spread between all full-time Township Employees when the township manager performs end of 2018 true-up.
  - b. For the employee hired July 27, 2015, monies will be deducted from Water and Sewer Authority (WSA) 2018 contribution for their employees. The amount will be spread between all full-time WSA Employees when the township manager performs end of 2018 true-up.
  - c. I also note all forfeiture monies can be used for administrative costs under our plan with Principal so until the end of year 2018 true-up exact dollar amounts for the WSA and the township is to be determined.
2. The employee hired October 19, 2015 received contribution without meeting the required full-time calendar year's status plus 1,500 working hours during the following year in 2016.
3. The Board of Supervisors of West Hanover Township will pass a resolution to allow WSA full-time employees to enroll into our pension plan at the time of enrollment. This resolution 2018-40 will be retroactive from calendar year 2016 going forward.

West Hanover Township's intention was to allow WSA full-time employees to enroll because the Authority is paying 10% of wages to their employees apart from and outside of the State Aid process. The Township is not contributing any funds into WSA employee accounts.

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

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

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 57,218	\$ 15,632
2013	46,612	40,493
2014	54,218	24,420
2015	47,050	22,591
2016	48,121	29,107
2017	50,471	27,381

WEST HANOVER 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. Kyle Miller**  
Chairman, Board of Township Supervisors

**Mr. Daniel Rosario**  
Township Manager

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).