

# COMPLIANCE AUDIT

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## Farmington Township Non-Uniformed Pension Plan Warren County, Pennsylvania For the Period January 1, 2021 to December 31, 2024

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April 2026



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Board of Township Supervisors  
Farmington Township  
Warren County  
Sugar Grove, PA 16350

We have conducted a compliance audit of the Farmington Township Non-Uniformed Pension Plan for the period January 1, 2021 to December 31, 2024. 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings 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, 2019 to December 31, 2024, 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, 2019 to December 31, 2024, are presented on the Summary of Deposited State Aid and Employer Contributions.
- We determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our 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, 2021, and January 1, 2023 actuarial valuation reports were prepared and submitted by March 31, 2022 and 2024, 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.
- We determined whether the terms of both 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.
- We determined whether transfers were properly authorized, timely, and appropriately recorded by plan officials by examining supporting documentation for the transfers made during the audit period.

The Farmington Township Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report, copies of which are available from the PMRS accounting office. PMRS's financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

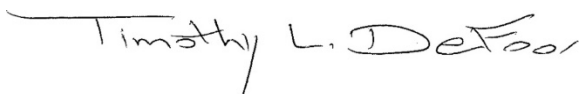
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Farmington Township Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local 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 Farmington Township Non-Uniformed 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 findings further discussed later in this report:

- Finding No. 1 – Partial Compliance With Prior Recommendation - Receipt Of State Aid In Excess Of Entitlement
- Finding No. 2 – Partial Compliance With Prior Recommendation - Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid
- Finding No. 3 – Partial Compliance With Prior Recommendation - Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 205

The findings contained in this audit report repeat conditions that were cited in our previous report that have not been corrected by township officials. We are concerned by the township's failure to correct those previously reported findings and strongly encourage timely implementation of the recommendations noted in this audit report.

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



Timothy L. DeFoor  
Auditor General  
March 23, 2026

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## 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 Farmington Township Non-Uniformed 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 including, but not limited to, the following:

Act 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974  
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The Farmington Township Non-Uniformed Pension Plan is a single-employer cash balance pension plan locally controlled by the provisions of Ordinance No. 9-13-2022-2, as amended, and a separately executed plan agreement with the plan's custodian effective September 1, 2022, adopted pursuant to Act 15. Prior to September 1, 2022, the plan was governed by Resolution No. 042099-1, as amended. The plan was established April 1, 1980. Active members are not required to contribute to the plan. Effective September 1, 2022, the municipality is required to contribute five percent of each member's compensation. Prior to September 1, 2022, the municipality was required to contribute \$2,750 per member per year. As of December 31, 2024, the plan had one active member, and one terminated member eligible for vested benefits in the future.

FARMINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDINGS

Partial Compliance With Prior Recommendations

Farmington Township has partially complied with the prior recommendations concerning the following:

- Receipt Of State Aid In Excess Of Entitlement

On October 18, 2021, the township returned \$3,169 of excess state aid received in the year 2017, plus interest, to the Commonwealth; however, plan officials again failed to reconcile the township's annual state aid allocation with the plan's actual pension costs for the year 2022 and reimburse any excess state aid received to the Commonwealth, as further discussed in Finding No. 1 in the Findings and Recommendations section of this audit report.

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

On October 18, 2021, the township returned \$2,104, plus interest, to the Commonwealth for the overpayment of state aid received in the year 2018; however, plan officials again failed to comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data, as further discussed in Finding No. 2 in the Findings and Recommendations section of this report.

- Failure To Implement Mandatory Act 44 Procedures For The Procurement Of Professional Services

On July 13, 2021, the township adopted Resolution No. 7-13-21-1 to establish procedures for the procurement of professional services to comply with the provisions of Act 205 (as amended by Act 44). However, the township failed to follow these procedures when awarding a professional services contract in 2022, as further discussed in Finding No. 3 in the Findings and Recommendations section of this report.

FARMINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Partial Compliance With Prior Recommendation - Receipt Of State Aid In Excess Of Entitlement**

Condition: As disclosed in the Status of Prior Findings section of this report, the township partially complied with the prior recommendation by reimbursing the Commonwealth for the overpayment of state aid received in 2017. However, a similar condition occurred during the current audit period. Plan officials again failed to reconcile the township’s annual state aid allocation with the plan’s actual pension costs for the year 2022 and reimburse any excess state aid received to the Commonwealth. The township received state aid in excess of the plan’s actual pension costs, considering available forfeitures, in the year 2022, as illustrated below:

State aid allocation	\$	5,454
Forfeiture applied		4,841
Actual municipal pension costs		<u>(6,546)</u>
Excess state aid	\$	<u>3,749</u>

As of the completion of the audit, the excess state aid remained in the township’s general fund.

Criteria: Section 402(f)(2) of Act 205 states:

No municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount which exceeds the aggregate actual financial requirements of any municipal pension plans for police officers, paid firefighters or employees other than police officers or paid firefighters maintained by the municipality, less the amount of any aggregate annual member or employee contributions during the next succeeding plan year, as reported in the most recent complete actuarial report filed with the commission.

Cause: The township had no internal year-end reconciliation process to ensure state aid received matched with pension expenses after the application of available forfeitures.

FARMINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Effect: It is this department’s opinion that because the entire proceeds of the insurance premium tax on foreign casualty insurance companies are distributed annually to each eligible recipient municipality, it is inappropriate to use state aid in one year to offset pension costs in other years. Consequently, the excess state aid in the year 2022, in the amount of \$3,749, must be returned to the Commonwealth for redistribution. However, we note that the \$3,749 excess state aid will be netted with the 2021, 2023, 2024, and 2025 underpayments of state aid totaling \$9,421 reported in Finding No. 2; therefore, the net underpayment of \$5,672 will be allocated to the township.

Recommendation: We again recommend that, in the future, plan officials reconcile the township’s annual state aid allocation and any available employee forfeitures with the plan’s annual pension costs and reimburse any excess state aid received to the Commonwealth.

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

Auditor’s Conclusion: We are concerned that the municipality has not fully complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so.

**Finding No. 2 – Partial Compliance With Prior Recommendation - Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid**

Condition: As disclosed in the Status of Prior Findings section of this report, the township partially complied with the prior recommendation by reimbursing the Commonwealth for the overpayment of state aid received in 2018. However, a similar condition occurred during the current audit period. Plan officials again failed to comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data in the years 2021, 2023, 2024, and 2025.

The township reported an incorrect date of plan establishment on the Certification Form AG 385 filed in 2021. The township reported April 12, 2018, which is the date the township purchased two allocated insurance policies for two plan members, rather than the original plan effective date of April 1, 1980.

In addition, the township reported an incorrect date of plan establishment on the Certification Forms filed in the years 2023, 2024 and 2025. The township reported September 1, 2022, which is the effective date of Ordinance No. 9-13-2022-2, which moved custody of the plan’s assets and administration to PMRS, rather than the original plan effective date of April 1, 1980.

FARMINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: The instructions that accompany Certification Form AG 385 require the date the plan was established to be reported. That date is then used to determine whether the plan is eligible for state aid. Pursuant to Act 205, at Section 402(e)(2), if a plan is established after December 31, 1984, the plan has to be maintained by the municipality for at least three plan years prior to becoming eligible for state aid.

Cause: The township changed to a new plan custodian effective September 1, 2022. The township mistakenly interpreted the instructions for Certification Form AG 385 and reported the effective date of the ordinance that authorized the custodian change instead of the original effective date of the plan. Plan officials failed to seek guidance on how to complete the form or have the form reviewed by anyone more experienced in completing it.

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. Based on the reported plan establishment date of April 12, 2018 on the 2021 AG 385 Form, the township did not receive a state aid allocation in 2021 because that date implied that the non-uniformed pension plan had not yet been funded for at least three plan years.

In addition, based on the reported plan establishment date of September 1, 2022 on the 2023, 2024, and 2025 AG 385 Forms, the township did not receive a state aid allocation in 2023, 2024, or 2025 because that date also implied that the non-uniformed pension plan had not yet been funded for at least three plan years.

Based on the correct plan date of April 1, 1980, the township would have received state aid allocations in 2021, 2023, 2024, and 2025 in the amounts of \$5,004, \$5,634, \$4,399, and \$2,523, respectively. However, since these amounts exceed the plan's actual pension costs in 2021 (less plan forfeitures used), 2023, 2024, and 2025, the township is not entitled to state aid for 2021 and is only entitled to \$4,399 of 2023 state aid, \$3,178 of 2024 state aid, and \$1,844 of 2025 state aid, totaling \$9,421. We further note that this state aid underpayment will be netted with the excess 2022 state aid totaling \$3,749 reported in Finding No. 1, therefore, the net underpayment of \$5,672 will be allocated to the township.

Although the additional state aid will be allocated to the township, the township had to use municipal funds to satisfy the 2023, 2024, and 2025 minimum municipal obligations due to the plan instead of being able to use their state aid allocations.

Recommendation: We recommend that plan officials establish adequate internal control procedures, such as having at least two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

FARMINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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

Auditor’s Conclusion: We are concerned that the municipality has not fully complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so.

**Finding No. 3 – Partial Compliance With Prior Recommendation - Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 205**

Condition: As disclosed in the Status of Prior Findings section of this report, the township established procurement procedures for professional services contracts in 2021 that comply with the provisions of Act 205. In 2022, the township changed custodians for its non-uniformed pension plan. However, there was no evidence provided to support that the change in custodian was conducted and awarded in accordance with provisions of Act 205.

Criteria: Section 701-A of Act 205 defines a “Professional Services Contract” as follows:

“Professional services contract.” A contract to which the municipal pension system is a party that is:

- (1) for the purchase or provision of professional services, including investment services, legal services, real estate services and other consulting services; and
- (2) not subject to a requirement that the lowest bid be accepted.

In addition, Section 702-A (a) of Act 205 states, in part:

Each municipal pension system ... shall develop procedures to select the most qualified person to enter into a professional services contract. The procedures shall ensure that the availability of a professional services contract is advertised to potential participants in a timely and efficient manner. Procedures shall include applications and disclosure forms to be used to submit a proposal for review and to receive the award of a professional services contract.

Additionally, Section 702-A (c), (e), (f), and (h) state, in part:

**Review.** Procedures to select the most qualified person shall include a review of the person’s qualifications, experience and expertise and the compensation to be charged.

FARMINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

**Conflict of interest.** The municipal pension system shall adopt policies relating to potential conflicts of interest in the review of a proposal or the negotiation of a contract.

**Public information.** Following the award of a professional services contract, all applications and disclosure forms shall be public except for proprietary information or other information protected by law.

**Notice and summary.** The relevant factors that resulted in the award of the professional services contract must be summarized in a written statement to be included in or attached to the documents awarding the contract. Within ten days of the award of the professional services contract, the original application, a summary of the basis for the award and all required disclosure forms must be transmitted to all unsuccessful applications and posted on the municipal pension system's Internet website, if an Internet website is maintained, at least seven days prior to the execution of the professional services contract.

Section 703-A (c) states, in part:

Upon the advertisement for a professional services contract by the municipal pension system, the contractor may not cause or agree to allow a third party to communicate with officials or employees of the municipal pension system except for requests for technical clarification.

Furthermore, Resolution No. 7-13-21-1, enacted by the township on July 13, 2021, established procedures for the procurement of professional services for the municipal pension system in accordance with Act 205 provisions.

Cause: Municipal officials failed to implement the procedures established by Resolution No. 7-13-21-1 and failed to document adherence with each requirement prescribed under the provisions of Act 205 and the township's own procurement procedures in the awarding of the professional custodial services contract for the pension plan.

Effect: We were unable to determine whether the township complied in all respects with the provisions stipulated in Act 205 and its own governing policies and procedures for the procuring of professional custodial services for the township's non-uniformed pension plan. Also, by failing to maintain appropriate substantive supporting documentation evidencing adherence with Act 205 and the township's procedures for the professional services contract, a general lack of transparency exists.

FARMINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Recommendation: We recommend the township follow procedures developed and implemented by the township in Resolution No. 7-13-21-1 for the procurement of professional services for the township's pension plan and ensure compliance with Act 205 provisions while maintaining appropriate and sufficient supporting documentation. This documentation should evidence every phase of the process in accordance with Act 205 and the township's policies and procedures in the awarding of future professional services contracts for the township's pension plan.

In addition, since we were unable to conclude whether the township complied in all respects with the provisions stipulated in Act 205 and its own governing policies and procedures relative to the procurement of the custodial services for the non-uniformed pension plan awarded in 2022, we recommend that township officials collectively review the process and familiarize themselves with the procedures enacted by the township while closely examining and identifying ways to improve the process as a whole.

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

Auditor's Conclusion: We are concerned that the municipality has not fully complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so.

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

Year Ended December 31	State Aid	Employer Contributions
2019	\$ 4,635	\$ 365
2020	5,021	479
2021	None	300
2022	1,705	None
2023	None	4,399
2024	None	3,178

Note: In 2021, the township met the plan's \$2,750 funding requirement through the deposit of \$300 in employer contributions and the allocation of \$2,450 in terminated employee forfeitures.

In 2022, the township met the plan's \$6,546 funding requirement through the deposit of \$1,705 in state aid and the allocation of \$4,841 in terminated employee forfeitures.

FARMINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

**Mr. Jared D. Bloomgren**  
Chairman, Board of Township Supervisors

**Ms. Amanda Hitchcock**  
Secretary

**Mr. Richard Cardamone, CPA, CGMA**  
Pennsylvania Municipal Retirement System

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