



**GREENFIELD TOWNSHIP POLICE  
PENSION PLAN**

**LACKAWANNA COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2009, TO DECEMBER 31, 2011**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**







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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. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system State aid and of every municipal pension plan and fund in which general municipal pension system State aid is deposited.

Pension plan aid is provided from a 2 percent foreign casualty insurance premium tax, a portion of the foreign 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 Greenfield Township Police Pension Plan is also governed by implementing regulations adopted by the Public Employee Retirement Commission 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 120 - Foreign Casualty Insurance Premium Tax Allocation Law, Act of May 12, 1943 (P.L. 259, No. 120), as amended, 72 P.S. § 2263.1 et seq.

The Greenfield Township Police Pension Plan is a single-employer fully insured defined benefit pension plan locally controlled by the provisions of Ordinance No. 92-2 of 1992, as amended, adopted pursuant to Act 120.





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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Board of Township Supervisors  
Greenfield Township  
Lackawanna County  
Greenfield Township, PA 18407

We have conducted a compliance audit of the Greenfield Township Police Pension Plan for the period January 1, 2009, to December 31, 2011. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 finding contained in our prior audit 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. Our methodology addressed determinations about the following:

- Whether state aid was properly determined and deposited in accordance with Act 205 requirements.
- Whether employer contributions are determined and deposited in accordance with the plan's governing document and applicable laws and regulations.
- Whether employee contributions are required and, if so, are determined, deducted and deposited into the pension plan and are in accordance with the plan provisions and applicable laws and regulations.

- Whether benefit payments, if any, represent payments to all (and only) those entitled to receive them and are properly determined in accordance with applicable laws and regulations.
- Whether obligations for plan benefits are accurately determined in accordance with plan provisions and based on complete and accurate participant data; and whether actuarial valuation reports are prepared and submitted to the Public Employee Retirement Commission (PERC) in accordance with state law and 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.
- Whether the terms of the allocated insurance contract, including ownership and any restrictions, are in compliance with plan provisions, investment policies and state regulations.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Greenfield Township Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the township's internal controls as they relate to the township's compliance with those requirements and that we considered to be significant within the context of our audit objectives, and assessed whether those significant controls were properly designed and implemented. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials 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 tests indicated that, in all significant respects, the Greenfield Township Police 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 Properly Dispose Of Life Insurance Policy

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Greenfield Township and, where appropriate, their responses have been included in the report.



EUGENE A. DEPASQUALE  
Auditor General

February 27, 2013



GREENFIELD TOWNSHIP POLICE PENSION PLAN  
STATUS OF PRIOR FINDING

Noncompliance With Prior Audit Recommendation

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

- Failure To Properly Dispose Of Life Insurance Policy

GREENFIELD TOWNSHIP POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

Finding – Noncompliance With Prior Audit Recommendation – Failure To Properly Dispose Of Life Insurance Policy

Condition: As disclosed in the prior audit report, the township maintains a fully insured defined benefit pension plan to fund pension benefits for its police officers. On April 30, 2003, a police officer was granted a pension benefit. The township cash surrendered 2 insurance policies to fund the pension benefits due to the retiree. However, a life insurance policy which is owned by the township and purchased with pension plan funds has not been properly disposed of by the township. The life insurance policy has a cash surrender value of \$57,232 as of December 31, 2012.

Criteria: Act 205 at Section 102 states, in part:

“Fully insured pension plan.” A pension plan for which an insurance carrier has, or a number of insurance carriers have, underwritten the total actuarial accrued liability of the benefit plan.

Pursuant to this funding arrangement, the insurance policies purchased and maintained on each active member are to be used to provide a pension upon retirement.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the life insurance policy was properly disposed of when the police officer terminated his employment with the township. In addition, plan officials failed to establish adequate internal control procedures to ensure compliance with the prior audit recommendation.

Effect: The failure to properly dispose of the life insurance policy may result in the retiree being denied benefits to which he is entitled in accordance with the plan’s governing document.

Furthermore, if the retired member is not entitled to any additional pension benefits, the failure to cash surrender the life insurance policy reduces the amount of funds available for investment purposes or for the payment of authorized benefits or administrative expenses.

Recommendation: We again recommend that the township cash surrender the life insurance policy and deposit the proceeds into the pension plan. We further recommend that the township, with the assistance of its solicitor, determine if there are any additional benefits due to the retiree and pay any outstanding pension benefits due from the proceeds of the life insurance policy.

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

GREENFIELD TOWNSHIP POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Greenfield Township Police Pension Plan  
Lackawanna County  
424 State Route 106  
Greenfield Township, PA 18407

Mr. Joseph G. Slebodnik      Chairman, Board of Township Supervisors

Mr. Bruce Evans              Secretary/Treasurer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, Room 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).