

**OXFORD BOROUGH NONUNIFORMED PENSION PLAN**

**CHESTER COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2009, TO DECEMBER 31, 2010**





**OXFORD BOROUGH NONUNIFORMED PENSION PLAN**

**CHESTER COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2009, TO DECEMBER 31, 2010**



## CONTENTS

	<u>Page</u>
Background.....	1
Letter from the Auditor General .....	3
Status of Prior Finding .....	5
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Deposit The Full Amount Of Required Member Contributions Into The Pension Plan.....	6
Finding No. 2 – Failure To Fully Fund Members’ Accounts.....	7
Supplementary Information .....	9
Report Distribution List .....	11



## **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 Oxford Borough Nonuniformed 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.

The Oxford Borough Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 811-2007. Active members are required to contribute 2 percent of compensation to the plan. The municipality is required to contribute 6 percent of each member's compensation. The plan is also affected by the provisions of collective bargaining agreements between the borough and its nonuniformed employees.



The Honorable Mayor and Borough Council  
Oxford Borough  
Chester County  
Oxford, PA 19363

We have conducted a compliance audit of the Oxford Borough Nonuniformed Pension Plan for the period January 1, 2009, to December 31, 2010. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with *Government Auditing Standards* applicable to performance audits 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 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 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.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Oxford Borough Nonuniformed 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 borough's internal controls as they relate to the borough'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 the extent necessary to satisfy the audit objectives.

The results of our tests indicated that, in all significant respects, the Oxford Borough Nonuniformed 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 – Noncompliance With Prior Audit Recommendation - Failure To Deposit The Full Amount Of Required Member Contributions Into The Pension Plan

Finding No. 2 – Failure To Fully Fund Members' Accounts

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

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

November 9, 2011

JACK WAGNER  
Auditor General

OXFORD BOROUGH NONUNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Noncompliance With Prior Audit Recommendation

Oxford Borough has not complied with the prior audit recommendation concerning the following as further discussed in the Findings and Recommendations section of this report:

- Failure To Deposit The Full Amount Of Required Member Contributions Into The Pension Plan

OXFORD BOROUGH NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Deposit The Full Amount Of Required Member Contributions Into The Pension Plan

Condition: As disclosed in the prior audit report, in 2006, the borough did not deposit the full amount of required member contributions into the plan. Based upon an estimate prepared by this department, the borough’s deposit for 2006 was \$2,130 less than required, as illustrated below:

<u>2006</u> <u>Employees</u>	<u>Required</u> <u>Contributions</u>	<u>Actual</u> <u>Contributions</u>	<u>Contributions</u> <u>Due</u>
1	\$ 907	\$ 596	\$ 311
2	692	456	236
3	881	593	288
4	932	631	301
5	1,102	721	381
6	696	450	246
7	457	299	158
8	608	399	209
		Total	<u>\$ 2,130</u>

Criteria: Section 3.01 of the governing document states, in part:

Each active participant shall make required contributions.... The amount of each contribution will be equal to 2% of compensation.

Cause: It appears that borough officials did send the contributions to the plan’s custodian improperly designated as municipal contributions. The plan’s custodian subsequently refunded the amounts to the borough because they would have been excess municipal contributions.

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.

In addition, due to borough’s failure to properly fund the members’ accounts, the borough must now pay interest on the delinquent contributions.

OXFORD BOROUGH NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that the borough deposit the member contributions due to the members’ accounts for the year 2006, with interest. A copy of the interest calculation must be maintained by the borough for examination during our next audit of the plan.

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

Finding No. 2 – Failure To Fully Fund Members’ Accounts

Condition: In 2009, the borough did not fully fund the accounts of all of the members of the pension plan. Based upon an estimate prepared by this department, the borough did not fund the members’ accounts in the amount of \$22,064, as illustrated below:

2009 Employees	Annual Compensation	Contribution Rate	2009 Contribution	Contributions Paid	Contributions Owed
1	\$ 54,897	6%	\$ 3,294	\$ 1,098	\$ 2,196
2	49,616	6%	2,977	992	1,985
3	22,339	6%	1,340	447	893
4	65,313	6%	3,919	1,301	2,618
5	45,540	6%	2,732	910	1,822
6	35,896	6%	2,154	718	1,436
7	57,869	6%	3,472	1,158	2,314
8	51,697	6%	3,102	990	2,112
9	40,723	6%	2,443	814	1,629
10	57,530	6%	3,452	1,151	2,301
11	42,479	6%	2,549	850	1,699
12	26,468	6%	1,588	529	1,059
			<u>\$ 33,022</u>	<u>\$ 10,958</u>	<u>\$ 22,064</u>

Criteria: Section 3.01 of the plan’s governing document sets the municipal contribution rate at 6 percent of each plan member’s compensation.

Cause: Borough officials utilized the 2 percent member contribution rate instead of the 6 percent municipal contribution rate when it deposited the 2009 municipal contributions.

OXFORD BOROUGH NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: The failure to properly fund the members' accounts could result in plan members being denied benefits to which they are entitled in accordance with the plan's governing document.

In addition, due to borough's failure to properly fund the members' accounts, the borough must now pay interest on the delinquent contributions.

Recommendation: We recommend the borough deposit the contributions due to the members' accounts for the year 2009, with interest. A copy of the interest calculation must be maintained by the borough for examination during our next audit of the plan.

We also recommend that plan officials implement adequate internal control procedures to ensure that members' accounts are properly funded.

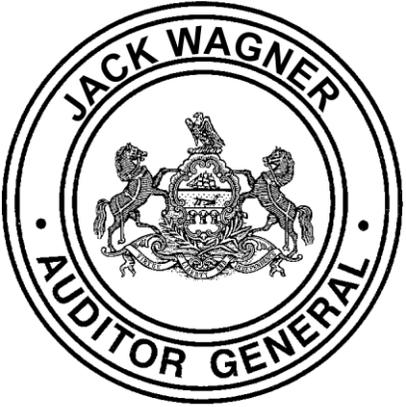
Management's Response: Subsequent to the audit period, \$22,064 was deposited into the plan to fund the balance due to the members' accounts for 2009.

Auditor's Conclusion: Based on the management response, it appears municipal officials have partially complied with the recommendation. The borough did not include the interest due on the delinquent contributions. Full compliance will be evaluated during our next audit of the plan.

OXFORD BOROUGH NONUNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF STATE AID  
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2005	\$ 10,649	\$ 31,345
2006	8,304	24,152
2007	None	28,160
2008	None	32,435
2009	None	33,022
2010	None	30,730



OXFORD BOROUGH NONUNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Oxford Borough Nonuniformed Pension Plan  
Chester County  
P.O. Box 380  
Oxford, PA 19363

The Honorable Geoffrey Henry	Mayor
Mr. Andrew Atkinson	Council President
Ms. Betsy Brantner	Borough Manager
Ms. Artemis Anderson	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).