

ROCKLAND TOWNSHIP NONUNIFORMED PENSION PLAN

BERKS COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007, TO DECEMBER 31, 2008



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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 Rockland Township 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 Rockland Township Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 1997-13, as amended, and a separately executed adoption agreement with the plan's custodian. Active members are not required to contribute to the plan. The municipality's annual required contribution amount shall be allocated to the accounts of eligible participants as a percentage of eligible plan member's compensation for the plan year. The township's current funding and allocation practice is to allocate 10 percent of employees' prior year's W-2 earnings.



Board of Township Supervisors
Rockland Township
Berks County
Bowers, PA 19511

We have conducted a compliance audit of the Rockland Township Nonuniformed Pension Plan for the period January 1, 2007, to December 31, 2008. 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 the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above. Rockland Township contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are available at the township's offices. Those 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 Rockland Township 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 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 objective, 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 objective.

The results of our tests indicated that, in all significant respects, the Rockland Township 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 finding further discussed later in this report:

Finding – Failure To Properly Fund Member’s 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 Rockland Township and, where appropriate, their responses have been included in the report.

August 28, 2009

JACK WAGNER
Auditor General

ROCKLAND TOWNSHIP NONUNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Failure To Properly Fund Members’ Accounts

Condition: In 2007 and 2008, the township failed to properly fund plan members’ accounts, as illustrated below:

<u>2007 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due/(Excess)</u>
1	\$ 3,423	\$ 2,389	\$ 1,034
2	3,686	3,840	(154)
3	2,986	1,816	1,170
4	3,418	3,626	(208)
Total			<u><u>\$ 1,842</u></u>

<u>2008 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 909	\$ -	\$ 909
2	4,257	4,133	124
3	3,552	3,349	203
4	3,963	3,832	131
5	2,472	-	2,472
Total			<u><u>\$ 3,839</u></u>

Criteria: Section B of Article VII of the plan’s governing document, a separately executed agreement with the plan’s custodian, states:

The employer’s contribution for the plan year shall be made to the accounts of eligible participants as follows:

Such contributions shall be allocated as a percentage of compensation of eligible participants for the plan year.

ROCKLAND TOWNSHIP NONUNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Cause: Plan officials failed to establish adequate internal control procedures to ensure that the members' accounts were properly funded.

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.

Due to township's failure to properly fund the referenced member's accounts, the township must now pay interest on the delinquent contributions.

Recommendation: We recommend that the township deposit the contributions due to the members' accounts for the years 2007 and 2008, with interest. A copy of the interest calculations should be maintained by the township for examination during our next audit of the plan.

Furthermore, we recommend that the township review the excess contributions made in 2007 to two plan members with the plan's consultant to determine if the plan can be reimbursed for the excess contributions made.

We also recommend that the township review the plan's defined contribution requirements with the township's solicitor and the plan's custodian and establish adequate internal control procedures to ensure that members' accounts are properly funded.

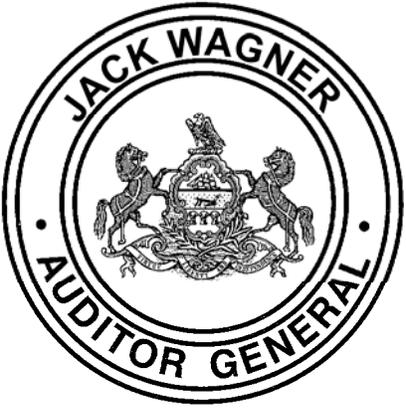
Management's Response: The plan's defined contribution requirements were reviewed with the township solicitor and the plan's custodian and a payment was remitted to the plan's custodian for the amounts due to the individual plan members.

Auditor's Conclusion: Municipal officials have partially complied with the finding recommendation. Full compliance will be evaluated during our next audit of the plan.

ROCKLAND TOWNSHIP NONUNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF STATE AID
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2003	\$ 14,472	\$ 637
2004	14,557	None
2005	11,707	1,472
2006	12,354	None
2007	11,671	None
2008	12,745	None



ROCKLAND TOWNSHIP NONUNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Rockland Township Nonuniformed Pension Plan
Berks County
P.O. Box 149
Bowers, PA 19511

Mr. Russell Coffin Chairman, Board of Township Supervisors

Ms. Karen Krall Chief Administrative Officer

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.