

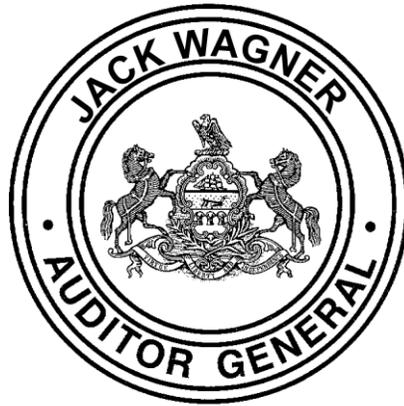
WEST VINCENT TOWNSHIP NONUNIFORMED PENSION PLAN

CHESTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009, TO DECEMBER 31, 2011



WEST VINCENT TOWNSHIP NONUNIFORMED PENSION PLAN

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BACKGROUND

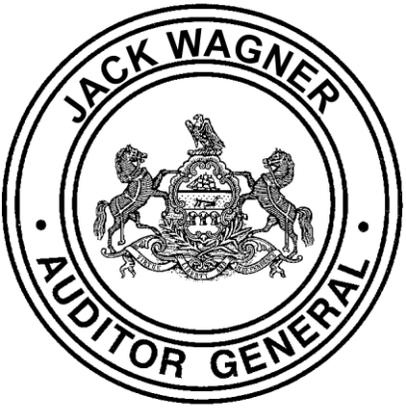
On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state 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 West Vincent 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 including, but not limited to, the following:

Act 69 - The Second Class Township Code, Act of May 1, 1933 (P.L. 103, No. 69), as reenacted and amended, 53 P.S. § 65101 et seq.

The West Vincent Township Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 42-2007, as amended. The plan is also affected by the provisions of collective bargaining agreements between the township and its nonuniformed employees. Active members are not required to contribute to the plan. In 2009 and 2010, the municipality was required to contribute 6.5 percent of each member's base salary. In 2011, the municipality was required to contribute 5 percent of each member's base salary.



Board of Township Supervisors
West Vincent Township
Chester County
Chester Springs, PA 19425

We have conducted a compliance audit of the West Vincent Township Nonuniformed 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 *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 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 findings 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.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the West Vincent 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 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 West Vincent 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 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 West Vincent Township and, where appropriate, their responses have been included in the report.

June 7, 2012

JACK WAGNER
Auditor General

WEST VINCENT TOWNSHIP NONUNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

West Vincent Township has complied with the prior audit recommendations concerning the following:

- Failure To Allocate Forfeitures From Terminated Members' Accounts

In 2010, the township used forfeitures to reduce the employer contributions due to the members' accounts, however, after the application of the available forfeitures and an allocation of the township's 2010 state aid, the members' accounts were not properly funded as disclosed in the Finding and Recommendation section of this report; and

- Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment of State Aid

The township reimbursed \$8,343 to the Commonwealth for the overpayment of state aid.

WEST VINCENT TOWNSHIP NONUNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Failure To Properly Fund Members’ Accounts

Condition: The township did not properly fund the accounts of 11 members in 2010 in the amount of \$2,375, as illustrated below:

<u>2010 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due/(Excess)</u>
1	\$ 2,805	\$ 2,724	\$ 81
2	3,340	3,550	(210)
3	3,083	3,225	(142)
4	3,083	3,081	2
5	3,917	3,667	250
6	2,827	2,903	(76)
7	6,054	5,690	364
8	2,629	2,490	139
9	3,438	3,295	143
10	2,636	1,558	1,078
11	1,616	870	746
Total			<u>\$ 2,375</u>

Criteria: The plan’s adoption agreement states that the employer may contribute a discretionary contribution for the plan year. For the year 2010, municipal officials set the contribution rate at 6.5% through a motion recorded in the minutes of a board of township supervisors meeting.

Cause: Municipal officials made employer contributions based on estimates of the members’ wages instead of the actual wages earned by the plan members.

In addition, municipal officials failed to establish adequate internal control procedures to ensure that eligible plan members’ accounts were properly funded in accordance with the provisions contained in the plan’s governing document.

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.

WEST VINCENT TOWNSHIP NONUNIFORMED 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 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 the members' accounts are properly funded in accordance with the provisions contained in the plan's governing document.

Management's Response: The township manager agreed to make the necessary adjustments upon receipt of the audit report.

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

WEST VINCENT TOWNSHIP NONUNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF STATE AID
 AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2006	\$ 11,972	None
2007	None	\$ 27,177
2008	18,604	9,756
2009	35,988	3,940
2010	19,881	851
2011	26,940	3,269

WEST VINCENT TOWNSHIP NONUNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

West Vincent Township Nonuniformed Pension Plan
Chester County
729 St. Matthews Road
Chester Springs, PA 19425

Mr. Kenneth Miller Chairman, Board of Township Supervisors

Mr. James Wendelglass Township Manager

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.