

**CHARTIERS TOWNSHIP NONUNIFORMED PENSION PLAN**

**WASHINGTON COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2007, TO DECEMBER 31, 2009**





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# CONTENTS

	<u>Page</u>
Background .....	1
Letter from the Auditor General .....	3
Finding and Recommendation:	
Finding – Failure To Properly Fund Members’ Accounts .....	5
Supplementary Information .....	7
Report Distribution List .....	9



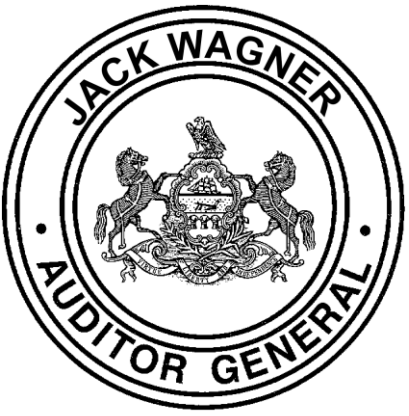
## **BACKGROUND**

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 Chartiers 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 Chartiers Township Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 91-46, as amended, and a plan document effective January 1, 1991. The plan is also affected by the provisions of collective bargaining agreements between the township and its nonuniformed employees. Active members are required to contribute 3 percent of compensation to the plan. During 2007, the municipality was required to contribute 7 percent of each member's compensation. During 2008 and 2009, the municipality was required to contribute 8 percent of each member's compensation.





Board of Township Supervisors  
Chartiers Township  
Washington County  
Houston, PA 15342

We have conducted a compliance audit of the Chartiers Township Nonuniformed Pension Plan for the period January 1, 2007, to December 31, 2009. 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. Chartiers 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 Chartiers 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 Chartiers 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 Chartiers Township and, where appropriate, their responses have been included in the report.

November 23, 2010

JACK WAGNER  
Auditor General

CHARTIERS TOWNSHIP NONUNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – Failure To Properly Fund Members’ Accounts

Condition: In 2009, the township did not fully fund the account of a plan member who was hired on December 2, 2008, in the amount of \$1,385, as illustrated below:

<u>2009 Wages</u>	<u>Contribution Rate</u>	<u>Contributions Required</u>	<u>Contributions Made</u>	<u>Contributions Due</u>
\$ 50,961	8.0%	\$ 4,077	\$ 2,692	\$ 1,385

Furthermore, in 2008, the township allocated \$2,112 to employees who either terminated employment or were otherwise not eligible to receive an employer contribution due to not meeting the plan’s eligibility requirements.

Criteria: The plan’s governing document, Resolution No. 91-46, as amended, at Section 3.01(a) established the municipal contribution rate at 7 percent of compensation for each participant who has completed a year of service. A year of service is defined at Section 1.33 as each twelve consecutive month period coinciding with the Plan Year (January 1 to December 31), in which a participant renders at least 1,000 hours of service. Effective January 1, 2008, the plan’s governing document was amended by Resolution No. 07-11, which established the municipal contribution rate at 8 percent.

Cause: Plan officials failed to establish adequate internal control procedures to ensure that only 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. In addition, the township contributed \$2,112 in 2008 to employees who were not eligible to receive an employer contribution.

Furthermore, due to the township’s failure to properly fund the account of one plan member, the township must now pay interest on the delinquent contributions.

Recommendation: We recommend that the township deposit the contribution due to the plan member’s account for the year 2009, with interest. A copy of the interest calculation should be maintained by the township for examination during our next audit of the plan.

CHARTIERS TOWNSHIP NONUNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – (Continued)

Furthermore, we recommend the township review the improper contributions made in 2008 to the ineligible employees with the plan's consultant to determine if the plan can be reimbursed for the unauthorized contributions.

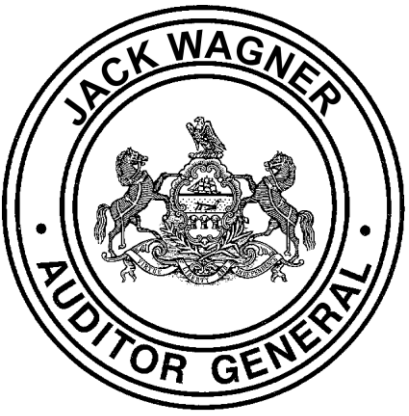
We also recommend that township officials establish adequate internal control procedures to ensure that members' accounts are properly funded in accordance with the provisions contained in the plan's governing document.

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

CHARTIERS TOWNSHIP NONUNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF STATE AID  
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2004	\$ 33,560	None
2005	33,328	None
2006	33,092	None
2007	30,462	None
2008	31,585	\$ 9,979
2009	37,253	None



CHARTIERS TOWNSHIP NONUNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Chartiers Township Nonuniformed Pension Plan  
Washington County  
2 Buccaneer Drive  
Houston, PA 15342

Mr. Harlan G. Shober, Jr.	Chairman, Board of Township Supervisors
Mr. Samuel R. Stockton	Township Manager
Ms. Anita L. Marcischak	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).