

OXFORD BOROUGH NONUNIFORMED PENSION PLAN

CHESTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2006, TO DECEMBER 31, 2008



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CONTENTS

	<u>Page</u>
Background	1
Letter from the Auditor General	3
Status of Prior Findings	5
Finding and Recommendation:	
Finding – Failure To Deposit The Full Amount Of Required Member Contributions Into The Pension Plan	6
Supplementary Information	8
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 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. The plan is also affected by the provisions of collective bargaining agreements between the borough and its nonuniformed employees. 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 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, 2006, 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 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.

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 finding further discussed later in this report:

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

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.

September 3, 2009

JACK WAGNER
Auditor General

OXFORD BOROUGH NONUNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

Oxford Borough has complied with the prior audit recommendations concerning the following:

· Custodial Account Records Not Maintained By The Municipality

The borough maintained and effectively monitored the plan's custodial account statements for accuracy;

· Allocation Of State Aid In Excess Of Entitlement

The borough allocated the \$3,699 of excess state aid to its police pension plan;

· Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

The borough liquidated the unallocated reserve fund by transferring the assets which represented non-state aid funds to the borough's general fund;

· Restated Plan Document Not Adopted By Ordinance

The borough adopted Ordinance No. 811-2007, which formally adopted the restated group annuity contract; and

· Failure To Appoint A Chief Administrative Officer

The borough adopted Resolution No. 1098-2007, which formally appointed a chief administrative officer for the pension plan.

OXFORD BOROUGH NONUNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

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

Condition: In 2006, the borough did not deposit the full amount of the required member contributions into the plan. Based upon an estimate prepared by this department, the borough’s deposit for 2006 was \$3,459 less than required, as illustrated below:

<u>2006 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 907	\$ 596	\$ 311
2	692	456	236
3	1,051	677	374
4	881	593	288
5	932	631	301
6	950	637	313
7	464	267	197
8	1,102	721	381
9	696	450	246
10	602	389	213
11	457	299	158
12	608	399	209
13	668	436	232
		Total	<u>\$ 3,459</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: Borough officials sent the contributions to the plan’s custodian and designated them as municipal contributions. The plan’s custodian reimbursed them to the borough because they would have been excess municipal contributions.

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

OXFORD BOROUGH NONUNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

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

Recommendation: We recommend that the borough deposit the 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.

OXFORD BOROUGH NONUNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF STATE AID
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2003	\$ 28,163	None
2004	28,703	None
2005	10,649	\$ 31,345
2006	8,304	24,152
2007	None	28,160
2008	None	32,435

OXFORD BOROUGH NONUNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

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

The Honorable Geoffrey Henry	Mayor
Mr. C. Randy Teel	Council President
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.