



**STROUD AREA REGIONAL POLICE
DEPARTMENT NON-UNIFORMED EMPLOYEES'
PENSION PLAN**

MONROE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2010, TO DECEMBER 31, 2012

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Stroud Area Regional Police Commission
Monroe County
East Stroudsburg, PA 18301

We have conducted a compliance audit of the Stroud Area Regional Police Department Non-Uniformed Employees' Pension Plan for the period January 1, 2010, to December 31, 2012. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* 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 commission 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. Our methodology addressed determinations about the following:

- Whether state aid was properly determined and deposited in accordance with Act 205 requirements. State aid allocations that were deposited into the pension plan for the years ended December 31, 2007, to December 31, 2012, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether employer contributions are determined and deposited in accordance with the plan's governing document and applicable laws and regulations. Employer contributions that were deposited into the pension plan for the years ended December 31, 2007, to December 31, 2012, are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether employee contributions are required and, if so, are determined, deducted and deposited into the pension plan and are in accordance with the plan provisions and applicable laws and regulations.
- Whether benefit payments, if any, represent payments to all (and only) those entitled to receive them and are properly determined in accordance with applicable laws and regulations.
- Whether obligations for plan benefits are accurately determined in accordance with plan provisions and based on complete and accurate participant data; and whether actuarial valuation reports are prepared and submitted to the Public Employee Retirement Commission (PERC) in accordance with state law and selected information provided on these reports is accurate, complete and in accordance with plan provisions to ensure compliance for participation in the state aid program.

The Stroud Area Regional Police Commission contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are available at the commission's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Commission officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Stroud Area Regional Police Department Non-Uniformed Employees' 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 commission's internal controls as they relate to the commission'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 provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

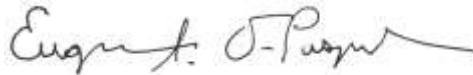
The results of our tests indicated that, in all significant respects, the Stroud Area Regional Police Department Non-Uniformed Employees' Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following finding further discussed later in this report:

Finding – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

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

The contents of this report were discussed with officials of the Stroud Area Regional Police Commission and, where appropriate, their responses have been included in the report. We would like to thank regional police commission officials for the cooperation extended to us during the conduct of the audit.

October 18, 2013



EUGENE A. DEPASQUALE
Auditor General

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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.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) 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 Stroud Area Regional Police Department Non-Uniformed Employees' 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 Stroud Area Regional Police Department Non-Uniformed Employees' Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of a Money Purchase Pension Plan agreement dated December 13, 2000, as amended. Active members are not required to contribute to the plan. The municipality is required to contribute 6 percent of each member's compensation. As of December 31, 2012, the plan had 7 active members, no terminated members eligible for vested benefits in the future and no retirees receiving pension benefits.

STROUD AREA REGIONAL POLICE DEPARTMENT
NON-UNIFORMED EMPLOYEES' PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

The Stroud Area Regional Police Commission has complied with the prior audit recommendation concerning the following:

· Failure To Appoint A Chief Administrative Officer

The Stroud Area Regional Police Commission formally appointed a chief administrative officer for the pension plan by resolution.

STROUD AREA REGIONAL POLICE DEPARTMENT
NON-UNIFORMED EMPLOYEES' PENSION PLAN
FINDING AND RECOMMENDATION

Finding - Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

Condition: The regional police commission made contributions to the pension plan in excess of contributions required to fund the pension plan, as illustrated below:

	<u>2011</u>	<u>2012</u>
Actual municipal pension costs	\$ 16,664	\$ 16,149
Forfeitures available	<u>-</u>	<u>(4,125)</u>
Municipal contributions required to fund plan	<u>\$ 16,664</u>	<u>\$ 12,024</u>
Actual municipal contributions made	\$ 18,936	\$ 16,149
Municipal contributions required to fund plan	<u>(16,664)</u>	<u>(12,024)</u>
Excess municipal contributions	<u>\$ 2,272</u>	<u>\$ 4,125</u>

Criteria: Section 3.1 of the Money Purchase Pension Plan Agreement states the total amount of the contribution to the trust fund to be made by the employer for each plan year shall be equal to 6% of each participant's compensation.

Furthermore, Section 9.3 of the same plan agreement states that any amounts forfeited due to an employee's termination shall be applied to reduce employer contributions.

Cause: The regional police commission did not have adequate internal control procedures in place to ensure that the correct amount of contributions would be made to the plan after determining the plan's actual pension costs and accounting for any available employee forfeitures that must be used to offset municipal contributions due to the plan.

STROUD AREA REGIONAL POLICE DEPARTMENT
NON-UNIFORMED EMPLOYEES' PENSION PLAN
FINDING AND RECOMMENDATION

Finding - (Continued)

Effect: Although the excess contributions have not been specifically applied to any plan members' accounts and remain in the plan's custodial account, by making excess municipal contributions, plan members could receive additional benefits beyond those outlined in the plan's governing document.

It is the opinion of this department that the regional police commission's failure to withdraw excess municipal contributions made in prior years does not preclude them from withdrawing the excess municipal contributions at this time.

Recommendation: We recommend that the regional police commission transfer the excess municipal contributions previously made which are currently held in the plan's custodial account to the commission's general fund. In addition, any investment income earned on the excess municipal contributions held in the custodial account should also be transferred to the general fund.

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

STROUD AREA REGIONAL POLICE DEPARTMENT
NON-UNIFORMED EMPLOYEES' PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2007	\$ 9,500	None
2008	None	\$ 10,273
2009	9,445	None
2010	13,135	None
2011	None	18,936
2012	None	16,149

STROUD AREA REGIONAL POLICE DEPARTMENT
NON-UNIFORMED EMPLOYEES' PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Stroud Area Regional Police Department Non-Uniformed Employees' Pension Plan
Monroe County
100 Day Street
East Stroudsburg, PA 18301

Mr. Roger DeLarco Chairman, Regional Police Commission
Mr. James S. Phillips Treasurer, Regional Police Commission

This report is a matter of public record and is available online at www.auditorgen.state.pa.us.
Media questions about the report can be directed to the Pennsylvania Department of the Auditor
General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to:
news@auditorgen.state.pa.us.