

SUSQUEHANNA REGIONAL NONUNIFORMED PENSION PLAN

LANCASTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009, TO DECEMBER 31, 2011



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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 Susquehanna Regional 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 Susquehanna Regional Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 02-09. Active members are not required to contribute to the plan. The regional police commission is required to contribute 11 percent of each participant's annual compensation.



Susquehanna Regional Police Commission
Lancaster County
Marietta, PA 17547

We have conducted a compliance audit of the Susquehanna Regional 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 the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings 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 this objective.

Commission officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Susquehanna Regional 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 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 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 Susquehanna Regional 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 findings further discussed later in this report:

Finding No. 1 - Failure To Properly Fund Member Accounts

Finding No. 2 - Improper Ownership Of Money Purchase 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 the Susquehanna Regional Police Commission and, where appropriate, their responses have been included in the report.

April 6, 2012

JACK WAGNER
Auditor General

SUSQUEHANNA REGIONAL NONUNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Properly Fund Member Accounts

Condition: Commission officials did not fully fund a member’s account in 2010 and 2011 in the amounts of \$139 and \$1,644, respectively, and overfunded another member’s account by \$172 in 2011.

Criteria: In 2009, the plan’s governing document, Resolution No. 02-09, which adopted a separately executed plan agreement with the plan’s custodian, established the municipal contribution rate at 11 percent of each participant’s annual compensation.

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

Effect: The failure to properly fund the members’ accounts could result in plan members being denied benefits or provided benefits in excess of those to which they are entitled in accordance with the plan’s governing document. In addition, the commission must now pay interest on the delinquent contributions due to the plan member.

Recommendation: We recommend that the commission deposit the contributions due to the member’s account for the years 2010 and 2011, with interest. A copy of the interest calculations should be maintained by the commission for examination during our next audit of the plan.

Furthermore, we recommend the commission review the account of the other plan member and make any adjustments deemed necessary to ensure that it is properly funded.

Finally, we recommend that plan officials implement adequate internal control procedures to ensure that in the future member accounts are properly funded in accordance with the provisions contained in the plan’s governing document.

Management’s Response: Commission officials agreed with the finding without exception.

SUSQUEHANNA REGIONAL NONUNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Improper Ownership Of Money Purchase Plan

Condition: The regional police commission is funding a money purchase plan that improperly designates an individual plan member as the owner of the account instead of the pension plan.

Criteria: The pension plan should maintain ownership of this money purchase plan to properly safeguard these assets.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the plan's assets were adequately safeguarded.

Effect: Continued improper ownership of this money purchase plan could result in premature withdrawals or other improper dispositions of these assets prior to the member's eligibility to receive retirement benefits.

Recommendation: We recommend that plan officials take appropriate action to change the ownership of this money purchase plan account from the plan member to the pension plan at its earliest opportunity to do so.

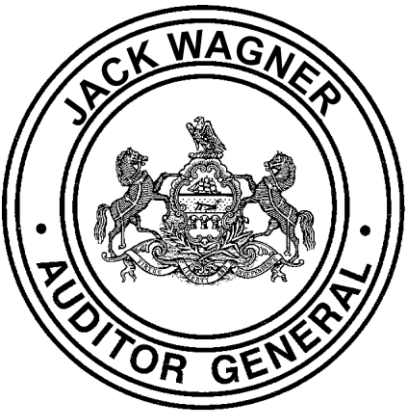
Management's Response: Commission officials agreed with the finding without exception and contacted the plan's custodian to begin the process of properly designating the commission as the proper owner of the contract.

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

SUSQUEHANNA REGIONAL NONUNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF STATE AID
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2006	None	\$ 3,156
2007	None	3,459
2008	None	3,498
2009	None	3,704
2010	None	4,789
2011	None	4,791



SUSQUEHANNA REGIONAL NONUNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Susquehanna Regional Nonuniformed Pension Plan
Lancaster County
188 Rock Point Road
Marietta, PA 17547

Mr. Stephen Mohr Chairman, Regional Police Commission

Mr. Charles E. Haugh 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.