

**THORNBURY TOWNSHIP NONUNIFORMED PENSION PLAN**

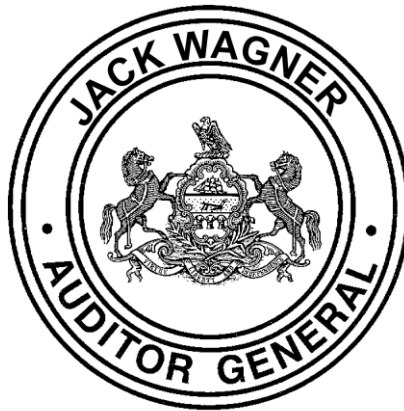
**DELAWARE COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2008, TO DECEMBER 31, 2009**





**THORNBURY TOWNSHIP NONUNIFORMED PENSION PLAN**

**DELAWARE COUNTY**

**COMPLIANCE AUDIT REPORT**

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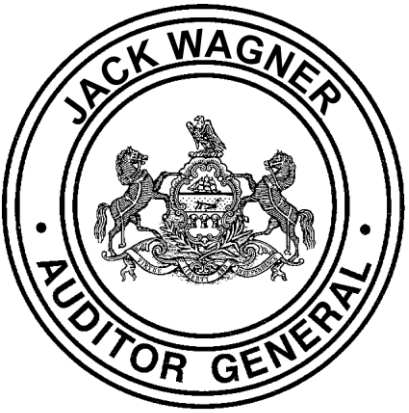
## **BACKGROUND**

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 Thornbury 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 Thornbury Township Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 5 of 1997, as amended, and a separately executed plan agreement with the plan's custodian. Active members are not required to contribute to the plan. The municipality is required to contribute 20 percent of quarterly payroll figures of the current year for all nonuniformed employees of the township. Each member's allocation shall be an amount equal to the employer's contributions plus any employee forfeitures, if applicable, multiplied by the ratio of such member's annual pay to the total annual pay of all plan participants.





Board of Township Supervisors  
Thornbury Township  
Delaware County  
Cheyney, PA 19319

We have conducted a compliance audit of the Thornbury Township Nonuniformed Pension Plan for the period January 1, 2008, 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 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 Thornbury 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 Thornbury 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 Thornbury Township and, where appropriate, their responses have been included in the report.

February 28, 2011

JACK WAGNER  
Auditor General

THORNBURY TOWNSHIP NONUNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

Thornbury Township has complied with the prior audit recommendations concerning the following:

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

The township reviewed the prior audit recommendation with its solicitor and plan consultant and determined that the township will not withdraw excess municipal contributions made to the members' accounts during the prior audit period; and

- Failure To Maintain An Adequate Record-Keeping System

The township has implemented adequate internal control procedures to ensure that an adequate record-keeping system is maintained for the pension plan.

THORNBURY TOWNSHIP NONUNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – Failure To Properly Fund Members’ Accounts

Condition: The township did not fully fund the members’ accounts in the years 2008 and 2009, as illustrated below:

| <u>2008<br/>Employees</u> | <u>Required<br/>Contributions</u> | <u>Actual<br/>Contributions</u> | <u>Contributions<br/>Due</u> |
|---------------------------|-----------------------------------|---------------------------------|------------------------------|
| 1                         | \$ 18,179                         | \$ 17,480                       | \$ 699                       |
| 2                         | 10,336                            | 9,936                           | 400                          |
| 3                         | 8,272                             | 7,973                           | 299                          |
| 4                         | 7,298                             | 7,012                           | 286                          |
|                           |                                   | Total                           | <u>\$ 1,684</u>              |

| <u>2009<br/>Employees</u> | <u>Required<br/>Contributions</u> | <u>Actual<br/>Contributions</u> | <u>Contributions<br/>Due</u> |
|---------------------------|-----------------------------------|---------------------------------|------------------------------|
| 1                         | \$ 18,926                         | \$ 18,206                       | \$ 720                       |
| 2                         | 11,375                            | 10,846                          | 529                          |
| 3                         | 8,435                             | 7,924                           | 511                          |
| 4                         | 7,864                             | 7,556                           | 308                          |
| 5                         | 10,912                            | 10,500                          | 412                          |
|                           |                                   | Total                           | <u>\$ 2,480</u>              |

Furthermore, subsequent to the audit period, the township failed to allocate \$9,356 of employee forfeitures which became available for distribution to the remaining plan members in accordance with the plan’s governing document.

Criteria: Part O of the plan’s separately executed agreement with the plan’s custodian adopted by Resolution No. 5 of 1997, as amended, states in part:

Employer contributions may be made for each plan year in an amount determined by us. Contributions and forfeitures, if applicable, shall be allocated...using annual pay of the allocation year....Each person’s allocation shall be an amount equal to contributions and forfeitures, if applicable multiplied by the ratio of such annual pay to the total annual pay of all such persons.

THORNBURY TOWNSHIP NONUNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – (Continued)

Part O of the plan's separately executed agreement with the plan's custodian, also states in part:

Forfeitures shall be allocated with our employer contributions and shall be deemed to be employer contributions, unless otherwise specified...

Furthermore, Resolution No. 5 of 1997, as amended, also states in part:

Thornbury Township establishes the nonuniformed employer contribution to the retirement pension plan at 20% of the quarterly payroll figures of the current year for all nonuniformed employees of the township.

Cause: Plan 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. For 2008, one of the payroll periods for May (the pay period ending May 2, 2008) was inadvertently omitted. For 2009, plan officials discovered an error with the December payroll figures originally used to determine the required members' contributions and recalculated the required contributions due; however, the outstanding contributions due were never forwarded to the plan custodian for deposit to the members' accounts.

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. Furthermore, due to the township's failure to properly fund the accounts of the plan members, the township must now pay interest on the delinquent contributions.

Recommendation: We recommend that the township deposit the outstanding contributions due to the members' accounts for the years 2008 and 2009, with interest. A copy of the interest calculations should be maintained by the township for examination during our next audit of the plan.

We also recommend that the township allocate the available employee forfeitures due to the eligible members' accounts for the year 2010, with interest. A copy of the interest calculation must be maintained by the township for examination during our next audit of the plan.

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

Management's Response: Municipal officials, with assistance from the plan's consultant, will evaluate the data and make the necessary adjustments to the members' accounts as warranted.

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

THORNBURY TOWNSHIP NONUNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF STATE AID  
AND EMPLOYER CONTRIBUTIONS

| Year Ended December 31 | State Aid Deposited | Employer Contributions |
|------------------------|---------------------|------------------------|
| 2004                   | \$ 20,379           | \$ 28,526              |
| 2005                   | 23,414              | 9,885                  |
| 2006                   | 14,468              | 54,646                 |
| 2007                   | 16,032              | 41,092                 |
| 2008                   | 15,932              | 26,469                 |
| 2009                   | 12,512              | 42,520                 |

THORNBURY TOWNSHIP NONUNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Thornbury Township Nonuniformed Pension Plan  
Delaware County  
6 Township Drive  
Cheyney, PA 19319

|                    |   |
|--------------------|---|
| Mr. James H. Raith | Chairman, Board of Township Supervisors |
|--------------------|---|

|                       |                  |
|-----------------------|------------------|
| Mr. Jeffrey Seagraves | Township Manager |
|-----------------------|------------------|

|                |           |
|----------------|-----------|
| Mr. Peter Barz | 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).