

UNION TOWNSHIP NONUNIFORMED PENSION PLAN

MIFFLIN COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2008, TO DECEMBER 31, 2009



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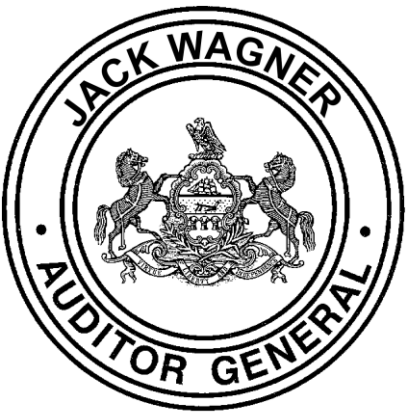
BACKGROUND

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 Union 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 Union Township Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 1996-3 and a separately executed plan agreement with the plan's custodian. Active members are not required to contribute to the plan. The municipality is annually required to contribute 8 percent of the previous year's participation payroll plus employee forfeitures, if applicable.



Board of Township Supervisors
Union Township
Mifflin County
Bellville, PA 17004

We have conducted a compliance audit of the Union 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 Union 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 Union 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 – Noncompliance With Prior Audit Recommendation –
Inconsistent Plan Provision

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 Union Township and, where appropriate, their responses have been included in the report.

November 4, 2010

JACK WAGNER
Auditor General

UNION TOWNSHIP NONUNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendation

Union Township has complied with the prior audit recommendation concerning the following:

- Receipt Of State Aid In Excess Of Entitlement

The township reimbursed \$350 to the Commonwealth for the excess state aid received.

Noncompliance With Prior Audit Recommendation

Union Township has not complied with the prior audit recommendation concerning the following as further discussed in the Finding and Recommendation section of this report:

- Inconsistent Plan Provision

UNION TOWNSHIP NONUNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Inconsistent Plan Provision

Condition: As disclosed in the prior audit report, the pension plan’s governing document contains a funding provision that conflicts with the separately executed plan agreement with the plan’s custodian, as noted below:

<u>Provision</u>	<u>Governing Document</u>	<u>Separate Plan Agreement</u>
Contribution requirement	... an annual employer contribution equivalent equal to 8 percent of <u>previous year participation payroll, plus any forfeiture.</u> (Emphasis added)	... contribution may be made in an amount determined by us. Our contributions and forfeitures, if applicable, shall be allocated as of the last day of the allocation year using annual pay for the allocation year.

Plan officials funded the plan pursuant to the provisions contained in the plan’s governing document during the audit period.

Criteria: A governing document which contains clearly defined and updated benefit provisions is a prerequisite for the consistent, sound administration of retirement benefits and the pension plan’s benefit structure should be consistent among the various plan documents.

Cause: Plan officials failed to establish adequate internal control procedures to ensure compliance with the prior audit recommendation.

Effect: Inconsistent funding provisions could result in inconsistent or improper funding of the individual plan member’s accounts.

Recommendation: We again recommend that plan officials establish adequate internal control procedures to ensure the plan’s governing document and plan agreement contain consistent funding provisions and that the pension plan is funded in accordance with the authorized funding provisions.

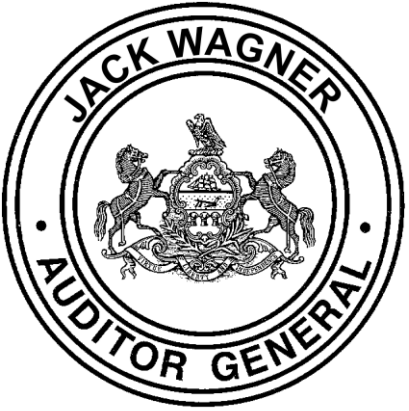
Management’s Response: Municipal officials indicated they are in the process of revising and amending the separately executed adoption agreement and that any adjustments to the member’s accounts will be made if necessary.

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

UNION TOWNSHIP NONUNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION

SCHEDULE OF STATE AID
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2004	\$ 12,694	\$ 2,570
2005	13,932	2,050
2006	15,332	2,080
2007	17,716	None
2008	17,963	None
2009	18,756	None



UNION TOWNSHIP NONUNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Union Township Nonuniformed Pension Plan
Mifflin County
P.O. Box 5625
Bellville, PA 17004

Mr. Richard Dailey Chairman, Board of Township Supervisors

Ms. Michelle Shirey Secretary

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.