



**WHITE DEER TOWNSHIP NONUNIFORMED
EMPLOYEES DEFINED CONTRIBUTION
PENSION PLAN**

UNION COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009, TO DECEMBER 31, 2011

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE 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.

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 White Deer Township Nonuniformed Employees Defined Contribution 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 White Deer Township Nonuniformed Employees Defined Contribution Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 00-07, as amended, which established a defined contribution pension plan effective January 1, 2000, for all full-time employees of the township who have been employed by the township for at least 6 months, and provided participants of the White Deer Township Nonuniformed Employees Defined Benefit Pension Plan with an opportunity to discontinue participation in that pension plan and elect to have all funds credited to their account in the defined benefit plan transferred to the defined contribution pension plan. Active members are not required to contribute to the plan. The municipality is required to contribute 10 percent of each member's base wages.





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EUGENE A. DePASQUALE
AUDITOR GENERAL

Board of Township Supervisors
White Deer Township
Union County
New Columbia, PA 17856

We have conducted a compliance audit of the White Deer Township Nonuniformed Employees Defined Contribution 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 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 municipal 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.
- Whether employer contributions are determined and deposited in accordance with the plan's governing document and applicable laws and regulations.
- 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 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.
- Whether the terms of the unallocated insurance contract, including ownership and any restrictions, are in compliance with plan provisions, investment policies and state regulations.
- Whether transfers were properly authorized, accurate, timely and properly recorded.

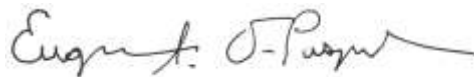
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the White Deer Township Nonuniformed Employees Defined Contribution Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative 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 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 White Deer Township Nonuniformed Employees Defined Contribution 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 – Partial Compliance With Prior Audit Recommendation –
Failure To Fully Fund Member’s Account

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



EUGENE A. DEPASQUALE
Auditor General

April 25, 2013



WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES
DEFINED CONTRIBUTION PENSION PLAN
STATUS OF PRIOR FINDING

Partial Compliance With Prior Audit Recommendation

White Deer Township has partially complied with the prior audit recommendation concerning the following:

· Failure To Fully Fund Member's Account

During the current audit period, the township fully funded the plan member's account for the years 2004 through 2008. However, plan officials failed to develop and implement adequate internal control procedures to ensure that the member's account was fully funded for the years 2009, 2010 and 2012, as further discussed in the Finding and Recommendation section of this report.

WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES
DEFINED CONTRIBUTION PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Partial Compliance With Prior Audit Recommendation – Failure To Fully Fund Member’s Account

Condition: During the current audit period, the township fully funded the plan member’s account for the years 2004 through 2008 as recommended in the prior audit report. However, the township did not fully fund the plan member’s account in 2009, 2011 and 2012 in the amounts of \$647, \$73 and \$83, respectively, as illustrated below:

<u>Year</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
2009	\$ 3,775	\$ 3,128	\$ 647
2011	3,848	3,775	73
2012	3,931	3,848	<u>83</u>
		Total	<u><u>\$ 803</u></u>

Criteria: Ordinance No. 00-07 established the municipal contribution rate at 10 percent of each participant’s base wages.

Cause: Plan officials funded the member’s account based on the member’s prior year’s base wages as opposed to the current year’s base wages.

In addition, plan officials failed to establish adequate internal control procedures to ensure full compliance with the prior audit recommendation.

Effect: The failure to properly fund the member’s account could result in the plan member 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 member’s account, the township must now pay interest on the delinquent contributions.

Recommendation: We recommend that the township deposit the contributions due to the member’s account for the years 2009, 2011 and 2012, with interest. A copy of the interest calculations should be maintained by the township for examination during our next audit of the plan.

WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES
DEFINED CONTRIBUTION PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

We also again recommend that the township develop adequate internal control procedures to ensure that the member's account is properly funded in accordance with the provisions of the plan's governing document.

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

WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES
 DEFINED CONTRIBUTION PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF STATE AID
 AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2006	\$ 3,089	None
2007	3,206	None
2008	3,186	None
2009	3,128	None
2010	3,235	\$ 540
2011	3,775	None

WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES
DEFINED CONTRIBUTION PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

White Deer Township Nonuniformed Employees Defined Contribution Pension Plan
Union County
2191 Creek Road
New Columbia, PA 17856

Mr. Carroll Diefenbach Chairman, Board of Township Supervisors

Ms. Charlene Aeppli Chief Administrative officer

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.