

**WHITE DEER TOWNSHIP NONUNIFORMED
EMPLOYEES PENSION PLAN**

UNION COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2006, TO DECEMBER 31, 2008



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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 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 Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 00-07, as amended, effective January 1, 2001, for all full-time employees of the township. Active members are not required to contribute to the plan. The municipality is required to contribute 10 percent of each member's base wages.



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 Pension Plan for the period January 1, 2006, to December 31, 2008. 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 White Deer Township Nonuniformed 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 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 White Deer Township Nonuniformed 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 – Noncompliance 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 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.

November 13, 2009

JACK WAGNER
Auditor General

WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES PENSION PLAN
STATUS OF PRIOR FINDINGS

Rescission Of Prior Audit Recommendation

The following prior audit recommendation has been rescinded:

- Improper Receipt Of State Aid

It was determined that the pension plan was established on January 1, 2000; therefore, the township was eligible to receive its first state aid allocation in 2003.

Noncompliance With Prior Audit Recommendation

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

- Failure To Fully Fund Member's Account

WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES PENSION PLAN
FINDING AND RECOMMENDATION

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

Condition: As disclosed in the prior audit report, for the years 2004, 2005 and 2006, the township did not fully fund the account of the plan’s active member as illustrated below:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Municipal contributions due	\$ 3,225	\$ 3,452	\$ 3,480
Actual municipal contributions made	<u>(2,911)</u>	<u>(2,927)</u>	<u>(3,089)</u>
Municipal contributions in arrears	<u>\$ 314</u>	<u>\$ 525</u>	<u>\$ 391</u>

In addition, during the current audit period, for the years 2007 and 2008, the township did not fully fund the account of the plan’s active member as illustrated below:

	<u>2007</u>	<u>2008</u>
Municipal contributions due	\$ 3,598	\$ 3,678
Actual municipal contributions made	<u>(3,206)</u>	<u>(3,186)</u>
Municipal contributions in arrears	<u>\$ 392</u>	<u>\$ 492</u>

Criteria: The plan’s governing document establishes the municipal contribution rate at 10 percent of base wages.

Cause: Township officials failed to annually reconcile the contributions due to the member with the actual deposits that were made to the member’s account. In addition, plan officials failed to establish adequate internal control procedures to ensure 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 that are due in accordance with the plan’s governing document.

Due to township’s failure to properly fully fund the member’s account, the township must now pay interest on the delinquent contributions.

WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the township deposit the contributions due to the member's account for the years 2004 through 2008, plus interest. A copy of the interest calculation must be maintained by the township for examination during our next audit of the plan.

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

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

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

SCHEDULE OF STATE AID
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2003	\$ 2,894	None
2004	2,911	None
2005	2,927	None
2006	3,089	None
2007	3,206	None
2008	3,186	None

WHITE DEER TOWNSHIP NONUNIFORMED EMPLOYEES PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

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

Mr. Caroll Diefenbach Chairman, Board of Township Supervisors

Ms. Charlene K. Aeppli 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.