

COMPLIANCE AUDIT

Union Township Police Pension Plan Washington County, Pennsylvania For the Period January 1, 2020 to December 31, 2022

April 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Board of Township Supervisors
Union Township
Washington County
Finleyville, PA 15332

We have conducted a compliance audit of the Union Township Police Pension Plan for the period January 1, 2020 to December 31, 2022. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding conclusion 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 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. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the period under audit.
- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.
- We determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our audit period.
- We determined that there were no benefit calculations prepared for the years covered by our audit period.
- We determined whether the January 1, 2021 actuarial valuation report was prepared and submitted by March 31, 2022 in accordance with Act 205 and whether selected information provided on this report is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.

Union Township contracted with an independent certified public accounting firm for annual audits of its basic financial statements for the years ended December 31, 2020 and 2021, which are available at the township's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

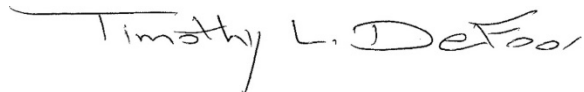
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Union Township Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary 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 procedures indicated that, in all significant respects, the Union Township Police 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 – Noncompliance With Prior Audit Recommendation – Return
Of Unused Monies To The Commonwealth

The finding contained in this audit report repeats a condition that was cited in our previous report that has not been corrected by township officials. We are concerned by the township's failure to correct this previously reported finding and strongly encourage timely implementation of the recommendation noted in this audit report.

The contents of this report were discussed with officials of Union Township and, where appropriate, their responses have been included in the report. We would like to thank township officials for the cooperation extended to us during the conduct of the audit.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
March 18, 2024

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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.

Annual state aid allocations are provided from a two percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) 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 Police Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 600 - Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 767 et seq.

The Union Township Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 110, as amended, adopted pursuant to Act 600.

The Union Township Board of Supervisors abolished and disbanded the Union Township Police Department by Ordinance No. 1-2005, effective July 9, 2005. Since the plan has no active members and had purchased annuity contracts to satisfy its outstanding liabilities, the township filed actuarial valuation report form Type A as of January 1, 2021, which does not require supplementary information.

UNION TOWNSHIP POLICE PENSION PLAN
STATUS OF PRIOR FINDING

Status Of Prior Recommendation

Noncompliance With Prior Recommendation

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

- Return Of Unused Monies To The Commonwealth

UNION TOWNSHIP POLICE PENSION PLAN
FINDING AND RECOMMENDATION

**Finding – Noncompliance With Prior Audit Recommendation – Return Of Unused Monies
To The Commonwealth**

Condition: As disclosed in the prior audit report, Union Township has not employed a full-time paid police officer since July 9, 2005. In addition, there are no terminated members eligible for vested benefits in the future or retirees receiving pension benefits from the pension plan. However, as of December 31, 2023, the township has retained assets in its police pension plan amounting to approximately \$689,334, which includes unused state aid allocated under Act 205 intended for pension purposes.

Criteria: Act 205, at Section 402(g), directs that:

Any general municipal pension system State aid received by a municipality shall, only be used to defray the cost of the pension plan or pension plans maintained in the municipality...

Furthermore, Section 402(j) authorizes the Auditor General to administer the General Municipal Pension State Aid Program. This administrative power necessarily extends to ensuring that state aid is both allocated and used in accordance with the act. It has been the consistent practice of this department that municipalities that have received state aid under this program, and which do not employ at least one full-time paid police officer, must return unused funds not used for the purposes set forth herein within two years after receipt thereof, to the Commonwealth for distribution.

Cause: As detailed in the Management Response section of this finding, municipal officials attributed the failure to comply with the prior audit recommendation to mass resignations and turnover of staff, professional consultants, and elected officials at the township.

Effect: Funds distributed under the general municipal pension system state aid program are not being used for their intended statutory purpose and have not been returned to the Commonwealth for redistribution to defray other eligible municipalities' pension costs.

Furthermore, the township's future state aid allocations may be withheld until the finding recommendation has been complied with.

Recommendation: We again recommend that township officials, with the assistance of their solicitor and the plan's actuary, identify any outstanding liabilities that need to be satisfied from the pension plan assets. We also recommend that township officials account for any municipal contributions previously made to fund the pension plan and transfer such unused municipal contributions to the general fund.

UNION TOWNSHIP POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

After accounting for any remaining liabilities and municipal contributions, the remaining police pension plan assets should be returned to the Commonwealth. A check, along with any applicable calculations used in determining the amount reimbursed, should be made payable to the Commonwealth of Pennsylvania, and submitted to: Department of the Auditor General, Municipal Pensions & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

Management’s Response: Municipal officials agreed with the finding without exception. The township’s solicitor also provided the following response:

The Union Township Board of Supervisors are in receipt of the Audit for December 2020, for the period of January 1, 2016 to December 31, 2019. It should be noted that the last compliance audit was for the years of January 1, 2016 to December 31, 2019 and is dated December 2020. Since that period of time, all the administrative staff have either resigned and/or retired. In addition, the former township solicitor resigned in October of 2022. He was the township solicitor from 2016 through 2022. He has failed to supply my office as the new township solicitor with his records concerning the police pension and the related audits thereof. In addition, the former certified public accountant also resigned in October of 2022. Finally, in October 2022, the remaining staff and four of the five township supervisors resigned. The records for the Township are incomplete and disorganized. As a result of the mass resignations of staff, professional consultants and four of the five supervisors, the Township is attempting to grasp the issues involving the police pension fund.

The Township has reviewed the Finding “Return of Unused Monies to the Commonwealth”. The aforesaid finding will be reviewed with the *[firm name omitted]*, who will provide direction to the Township as to the outstanding liabilities that need to be satisfied for the pension plan assets. This actuarial review will also provide information as to any Township contributions, which will then be submitted to the Township General Fund. My office, in its capacity as Township Solicitor, has already contacted *[firm name omitted]*. Once the information is gathered, the Township will account for the aforesaid monies and reimburse the Commonwealth of Pennsylvania accordingly. As always, if you have any questions or concerns, please do not hesitate to contact my office.

Auditor’s Conclusion: Due to the potential withhold of state aid, the township’s compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the plan.

UNION TOWNSHIP POLICE PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

A condition of a repeat finding such as that reported by the finding contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action will not be considered if sufficient written documentation is provided to verify compliance with this department's recommendation. Such documentation should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

UNION TOWNSHIP POLICE PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2017	None	N/A
2018	None	N/A
2019	None	N/A
2020	None	N/A
2021	None	N/A
2022	None	N/A

N/A – Not applicable

UNION TOWNSHIP POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Ms. Michalle Dupree
Chairman, Board of Township Supervisors

Ms. Diana Kristobek
Secretary

Ms. Mary Ann Kims
Treasurer

Mr. Dennis M. Makel
Solicitor

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.