

COMPLIANCE AUDIT

Chanceford Township Non-Uniformed Pension Plan York County, Pennsylvania

August 2025



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
Chanceford Township
York County
Brogue, PA 17309

We have conducted a compliance audit of the Chanceford Township Non-Uniformed Pension Plan 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 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 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:

- For the period January 1, 2020 to December 31, 2024, 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2019 to December 31, 2024, are presented on the Summary of Deposited State Aid and Employer Contributions.
- For the period January 1, 2020 to December 31, 2024, 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. Employer contributions that were deposited into the pension plan for the years ended December 31, 2019 to December 31, 2024, are presented on the Summary of Deposited State Aid and Employer Contributions.
- For the period January 1, 2020 to December 31, 2024, we determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations.
- For the period January 1, 2023 to December 31, 2024, we determined that there were no benefit calculations prepared.
- We determined whether the January 1, 2021 and January 1, 2023 actuarial valuation reports were prepared and submitted by March 31, 2022 and 2024, respectively, in accordance with Act 205 and whether 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 by comparing selected information to supporting source documentation.

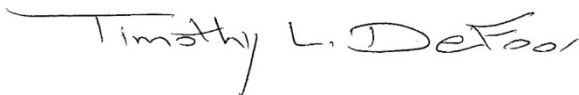
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Chanceford Township Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local 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 Chanceford Township Non-Uniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above, except as noted in the following finding further discussed later in this report:

Finding – Partial Compliance With Prior Audit Recommendation –
Failure To Properly Fund Member Accounts

The finding contained in this audit report repeats a condition that was cited in our previous report that has not been fully 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 Chanceford 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 horizontal line above the first name.

Timothy L. DeFoor
Auditor General
July 18, 2025

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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 Chanceford Township Non-Uniformed 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 69 - The Second Class Township Code, Act of May 1, 1933 (P.L. 103, No. 69), as reenacted and amended, 53 P.S. § 65101 et seq.

The Chanceford Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 2014-3, as amended, and a separately executed plan agreement with the plan's custodian effective January 1, 2013. The plan was established January 1, 2001. Active members are not required to contribute to the plan. The municipality was required to contribute 10 percent of compensation for the years 2020, 2021, and 2022, 11 percent of compensation for the year 2023, and 12 percent of compensation for the year 2024. As of December 31, 2024, the plan had 5 active members and 1 terminated member eligible for vested benefits in the future.

CHANCEFORD TOWNSHIP NON-UNIFORMED PENSION PLAN STATUS OF PRIOR FINDINGS

Compliance With Prior Recommendations

Chanceford Township has complied with the prior recommendations concerning the following:

- Incorrect Data On Certification Form AG 385 Resulting In Overpayment Of State Aid

During the period subject to audit, township officials complied with the instructions that accompany Certification Form AG 385 and accurately reported the required pension data.

- Ordinance Improperly Amended by Resolution

The township amended the plan's governing document with Ordinance No. 2020-1, which adopted the provisions previously adopted by Resolution No. 2018-10.

Partial Compliance With Prior Recommendation

Chanceford Township has partially complied with the prior recommendation concerning the following:

- Failure To Properly Fund Member Accounts

During the current period subject to audit, the township reviewed the members' accounts and made the adjustments deemed necessary to ensure members' accounts were funded in accordance with the provisions contained in the plan's governing document. However, plan officials again failed to properly fund members' accounts in the year 2020, as further discussed in the Finding and Recommendation section of this report.

CHANCEFORD TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Partial Compliance With Prior Audit Recommendation – Failure To Properly Fund Member Accounts

Condition: As disclosed in the Status of Prior Findings section of this report, the township partially complied with the prior recommendation by reviewing the members' accounts and making the adjustments deemed necessary to ensure members' accounts were funded in accordance with the provisions contained in the plan's governing document for the years 2016, 2017, 2018, and 2019. However, the township did not properly fund the accounts of five members in 2020 as illustrated below.

<u>2020 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Excess Contributions</u>
1	\$ 4,665	\$ 5,153	\$ 488
2	4,706	5,190	484
3	5,595	6,202	607
4	4,202	4,704	502
5	1,269	1,891	622
		Total	<u>\$ 2,703</u>

Criteria: The plan's governing document, Ordinance No 2014-3, which adopted a separately executed plan agreement, was further amended by Ordinance No 2020-1 to establish the municipal contribution rate in an amount equal to 10 percent of the participant's annual compensation.

Cause: The township's business process is to deposit the entire amount of state aid into the separate member accounts and then debit the member accounts for employer contributions earned in each payroll with the expectation that employer contributions would draw down the entire amount of state aid deposited. At the end of the year 2020, the township discovered they had received state aid in excess of the pension plan costs and refunded the state aid to the Commonwealth, as required by Act 205. However, the township did not reduce the amount of contributions made into each account. This error is also attributable to a lack of internal controls to review the year-end contributions and reconcile the expected amounts.

Effect: The excess contributions made by the township in 2020 remained in member accounts, rather than being reallocated. The failure to properly allocate contributions to the members' accounts has resulted in certain plan members receiving benefits in excess of those to which they are entitled in accordance with the plan's governing document.

CHANCEFORD TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We again recommend that the township review the applicable members' accounts and make the adjustments deemed necessary to ensure they are funded in accordance with the provisions contained in the plan's governing document.

We also recommend that plan officials implement adequate internal control procedures to ensure that the members' accounts are properly funded in accordance with the provisions contained in the plan's governing document.

Management's Response: The township provided the following response:

The Township acknowledges an error that occurred during the 2020–2024 audit period related to the allocation of municipal contributions in the year 2020.

In that year, contributions were properly received and distributed among all eligible plan members. However, one member terminated employment during 2020, resulting in an excess of funds originally intended for active participants.

The Township mistakenly reallocated the excess to the remaining members rather than adjusting for the terminated employee's departure.

Upon recognizing this error, the Township returned the excess state portion to the Commonwealth. However, the individual member accounts were not adjusted to reflect the overallocation.

This was an isolated incident, occurring nearly five years ago. Since then, all contributions and allocations have been handled correctly.

At this time, the Township has determined that the excess amounts will remain in the individual member accounts. Procedures have since been reviewed and updated to ensure such an error does not occur in the future.

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

CHANCEFORD TOWNSHIP NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS
(UNAUDITED)

Year Ended December 31	State Aid	Employer Contributions
2019	\$ 20,586	\$ 3,307
2020	21,693	2,703*
2021	18,861	1,360
2022	20,027	2,140
2023	20,161	7,786
2024	27,374	5,563

* *See Finding.*

CHANCEFORD TOWNSHIP NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro

Governor

Commonwealth of Pennsylvania

Mr. Kent Heffner

Chairman, Board of Township Supervisors

Mr. Bradley Smith

Vice-Chairman, Board of Township Supervisors

Ms. Leah Geesey

Chief Administrative Officer

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.