

# COMPLIANCE AUDIT

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## Independence Township Non-Uniformed Pension Plan Washington County, Pennsylvania

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July 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  
Independence Township  
Washington County  
Avella, PA 15312

We have conducted a compliance audit of the Independence 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings 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 findings 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, 2022 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, 2023 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, 2023 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, 2023 actuarial valuation report was prepared and submitted by March 31, 2024 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.
- For the period January 1, 2023 to December 31, 2024, we determined whether the terms of the plan's unallocated insurance contract, including ownership and any restrictions, were in compliance with plan provisions, investment policies, and state regulations by comparing the terms of the contract with the plan's provisions, investment policies, and state regulations.

Independence Township contracted with an independent certified public accounting firm for annual audits of the Independence Township Non-Uniformed Pension Plan's basic financial statements 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.

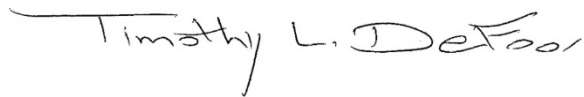
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Independence Township Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local 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 Independence 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 findings further discussed later in this report:

Finding No. 1 – Untimely Deposit Of State Aid

Finding No. 2 – Failure To Timely Fund Member Accounts

The contents of this report were discussed with officials of Independence 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, flowing style.

Timothy L. DeFoor  
Auditor General  
June 2, 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 Independence 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.

The Independence Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 92-2. The plan was established March 18, 1987. Active members are not required to contribute to the plan. The municipality is required to contribute seven percent of compensation per year. As of December 31, 2024, the plan had two active members.

INDEPENDENCE TOWNSHIP NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior Recommendations

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

- Receipt Of State Aid In Excess Of Entitlement

On November 12, 2020, township officials reimbursed \$1,895 to the Commonwealth for the excess state aid received in 2016. On October 23, 2020, township officials transferred \$2,747 from the unallocated reserve fund balance maintained in the non-uniformed pension plan to the township's general fund as reimbursement for plan expenses incurred for the years 2015, 2016, and 2019.

- Failure To Properly Fund Member Accounts

During the period subject to audit, township officials, with the assistance of their pension plan consultant, reviewed the member accounts and determined that no additional contributions were due to the pension plan for the year 2018. The variances were attributable to the member's dates of plan entry.

- Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

On October 23, 2020, township officials liquidated the unallocated reserve fund balance by transferring \$5,283 to the township's general fund with interest.

INDEPENDENCE TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Untimely Deposit Of State Aid**

Condition: The township did not deposit its 2023 and 2024 state aid allocations into the pension plan within the 30-day grace period allowed by Act 205. The municipality received its 2023 and 2024 state aid allocations in the amount of \$6,434 and \$6,550, respectively, on September 27, 2023 and September 25, 2024, respectively, but did not deposit the funds into its non-uniformed pension plan until November 4, 2024 and November 15, 2024, respectively.

Criteria: Section 402(g) of Act 205 states, in part:

. . . the total amount of the general municipal pension system State aid received by the municipality shall, within 30 days of receipt by the treasurer of the municipality, be deposited in the pension fund or the alternate funding mechanism applicable to the pension plan.

Cause: The 2023 and 2024 state aid allocations were not deposited timely into the pension plan because internal control procedures were not effective to timely identify the oversight and there was also a turnover in the position responsible for the daily administration of the plan.

Effect: Although the state aid was subsequently deposited into the plan, the interest earned beyond the 30-day grace period was not deposited into the plan. When state aid is not deposited into a pension plan account in a timely manner, the funds are not available to fund benefits (see Finding No. 2), pay operating expenses or for investment and the risk of misapplication is increased.

Recommendation: We recommend that the township pay the non-uniformed pension plan the interest earned during the period beyond the 30-day grace period allowed by Act 205, compounded annually. 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 plan officials develop and implement adequate internal control procedures to ensure that future state aid allocations are deposited timely in accordance with Act 205 requirements.

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

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



INDEPENDENCE TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Failure To Timely Fund Member Accounts**

Condition: In 2023, plan officials did not timely fund the two plan members' accounts by the December 31, deadline, as required by Act 205. The township deposited the 2023 minimum municipal obligation (MMO) of \$6,550 on November 4, 2024; however, plan officials failed to pay the interest due on the untimely deposits.

Criteria: Section 303(e) of Act 205 states, in part:

Any amount of the minimum municipal obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is made....

Cause: The township makes employer contributions to the members' accounts after receipt of its annual allocation of state aid and plan officials failed to timely deposit the 2023 state aid allocation into the pension plan resulting in untimely funding of the member accounts. (*See Finding No. 1*).

Effect: The failure to timely fund the members' accounts could result in plan members being denied benefits to which they are entitled in accordance with the plan's governing document.

Furthermore, due to the township's failure to timely fund the accounts of the two plan members, the township must now pay interest on the delinquent contributions.

Recommendation: We recommend that the township pay the interest due on the untimely deposits to the plan members' accounts for the year 2023's MMO, in accordance with Act 205. 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, in the future, plan officials determine the amounts due and timely fund the MMOs to the accounts of all eligible plan members.

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

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

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

Year Ended December 31	State Aid	Employer Contributions
2019	\$ 6,524	\$ 7,576
2020	4,876	None
2021	4,876	1,297
2022	6,173	261
2023	6,434	116
2024	6,550	659

INDEPENDENCE 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. Thomas Jennings**  
Chairman, Board of Township Supervisors

**Ms. Melissa Ansell**  
Township Secretary

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).