

# **MUNICIPAL AUDITING REPORT**

## **GRTC**

### **SOUTHWESTERN VIRGINIA TRANSIT MANAGEMENT COMPANY RETIREMENT PLAN AND TRUST**

July 26, 2010

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Audit Plan Number: 10105

*Municipal Auditing Department  
Chartered 1974*

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Phone 540.853.2644



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## BACKGROUND

The Greater Roanoke Transit Company [GRTC] is a private, nonprofit, public service organization wholly owned by the City of Roanoke. GRTC provides a comprehensive range of transportation services for the residents of the greater Roanoke area including bus service along fixed routes, special services for the disabled, and commuter buses providing service between Roanoke and New River Valley. Policy decisions for the company are made by its Board of Directors.

The Greater Roanoke Transit Company contracts with First Transit to provide senior management professionals for the organization. The general manager and assistant general manager are First Transit employees. Bus drivers, mechanics, planners, trainers, office staff and administrators are employees of the Southwestern Virginia Transit Management Company, a wholly owned subsidiary of First Transit.

The Southwestern Virginia Transit Management Company provides a defined contribution retirement plan for its employees. The Plan qualifies as a government plan under Section 457 of the Internal Revenue Code. Southwestern Virginia Transit Management Company serves as the Plan Sponsor. All full-time employees are required to participate in the Plan upon completion of their 90-day probationary employment period. The required minimum contribution is 3% of annual compensation; however, employees can elect to defer up to 100% of their pretax compensation (not to exceed IRS limitations). The Southwestern Virginia Transit Management Company paid the equivalent of 3% of each employee's annual compensation into the employee's investment account for both union and salaried employees.

Under the current arrangement, Reliance Trust Company serves as the Plan Trustee and DailyAccess.com [DAC] serves as the Plan Recordkeeper. Southwestern Virginia Transit Management Company contracts with both of these companies for their services. The contracts run in perpetuity or until Southwestern Virginia Transit Management Company notifies either of the companies of its intent to terminate the contract. Southwestern Virginia Transit Management Company also retains the services of Investment Counsel. During 2009, the Investment firm Dixon, Hubbard and Feinour discontinued servicing 457 Retirement Plans. Southwestern Virginia Transit Management Company has contracted with CAPTRUST to perform these services. The Investment Advisor also moved to CAPTRUST and works directly with the GRTC Director of Administration and Director of Finance to monitor the investment funds for performance.

CAPTRUST is an independent firm that specializes in advising corporate retirement plans and their participants. The Plan's investment structure offers participant-directed investment in fifteen investment option funds. CAPTRUST announced the modification of the prior strategic allocation model to include new medium company growth, small company value, and small company growth asset classes. The purpose of developing models is to provide the participants in the Retirement Plan access to a diverse portfolio of investments that is based upon an individual risk tolerance. Research has shown that a portfolio of different kinds of investments will, on average, yield higher returns and pose a lower risk than any individual investment found within the portfolio. The Complete Fund lineup as of November 2, 2009 is as follows:

<b>Asset Class</b>	<b>New Funds</b>
Stable	Cash Management Trust of America
Fixed Income	JP Morgan Core Bond R%
Emerging Markets Bond	Fidelity New Markets Income
Large Company Value	Vanguard Windsor II
Large Company Blend	Fidelity Spartan 500 Index Adv
Large Company Growth	American Funds Growth A
Medium Company Value	Alliance Bernstein Sm/Mid Value A
Medium Company Growth	Jennison Mid Cap Growth Z
Foreign Large Value	MFS Intl Value R4
Foreign Large Blend	American Fund EuroPacific Growth A
Foreign Small.Mid Growth	AIM International Small Company A
World Stock	Amer Funds New Perspective A
Small Company Value	Columbia Small Cap Value IZ
Small Company Growth	AIM Small Cap Growth A
Specialty-Real Estate	AIM Real Estate A

In 2006, KPMG conducted a full financial audit of retirement fund activity and prepared an associated financial report. Due to changes in the required audit procedures for investments and the associated costs, KPMG requested that the scope of their contract be amended to eliminate this audit. There is no legal requirement that this fund be audited by an independent auditor. In 2007, Municipal Auditing undertook a performance audit of the retirement fund.

## OBJECTIVES

To determine if the retirement plan and trust for the employees of the Southwestern Virginia Transit Management Company has been administered in compliance with Union Agreements, Plan documents, and associated contracts.

To verify that trust accounts are accurately stated and appropriately safeguarded.

## SCOPE

The scope of the audit includes Southwestern Virginia Transit Management Company's Retirement Plan transactions occurring between January 1, 2009 and December 31, 2009, as well as December 31, 2009 ending balances.

## METHODOLOGY AND RESULTS

- Interviewed the Director of Finance and the Director of Administration for GRTC to verify our understanding of retirement plan policies and procedures.
- Documented changes in retirement plan policies and procedures from the prior year audit.
- Reviewed the plan document, union agreement, and related contracts.
- Identified significant risks and associated controls in order to evaluate the design of the system of internal controls and to plan audit test work.
- Verified funds disbursed to employees by the Plan Record keeper agreed with amounts reported by GRTC. *No exceptions noted.*
- Verified all disbursements to employees were requested and approved by the employee, as documented on a Participant Distribution Election Form. *No exceptions noted.*
- Traced each disbursement to the Plan Trustee's check register. *No exceptions noted.*

- Confirmed distributions of funds from the Plan were received by the legal owner through confirmation letters. *Approximately 71% responded and confirmed their distributions. The remaining distributions were deemed valid based on employee personnel records and reports from the third party trustee and record keeper.*
- Verified disbursement fees were paid by the Plan or the Plan Sponsor, as appropriate. *No exceptions noted.*
- Verified federal and state taxes remitted on distributions were in accordance with applicable laws and regulations. *No material exceptions noted.*
- Verified distributions based on emergency requests, participant death, or divorce complied with provisions of the Plan document. *No exceptions noted.*
- Verified Plan expenses paid to the record keeper, the trustee, and the investment advisor were in accordance with the Plan document, union agreement, and associated contracts. *No exceptions noted.*
- Verified active participants reported by the record keeper were also reported as employees by Southwestern Virginia Transit Management Company, on a sample basis. *No exceptions noted.*
- Verified employee account balances rolled forward from the prior year, on a sample basis. *No exceptions noted.*
- Verified employee withholdings were in accordance with their documented instructions and approvals, on a sample basis. *No exceptions noted.*
- Verified mandatory employer contribution of 3% was paid by Southwest Virginia Transit Management Company, on a sample basis. *No exceptions noted.*
- Verified bank transfers of funds between the employer, the Plan trustee and the Plan record keeper were consistently reported and accurate. *No exception noted.*
- Verified that total funds held in trust at December 31, 2009, as reported by the Plan trustee agreed with total funds reported by the Plan record keeper. *No exceptions noted.*
- Evaluated segregation of duties within GRTC's business office, including system access controls and setup within their accounting systems [Microsoft Great Plains].

*No significant concerns noted.*

- Verified that both the Plan record keeper and Plan trustee underwent SAS 70 Service Provider audits and that the results indicated the companies are appropriately maintaining internal controls. *No significant concerns noted.*

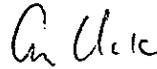
## CONCLUSIONS

We conclude that the retirement plan and trust has been administered in compliance with Union Agreements, Plan documents, and associated contracts. Trust accounts are accurately stated and appropriately safeguarded. Minor exceptions noted during our test work have been communicated to management in a separate letter.

We would like to thank the employees and management of Southwestern Virginia Transit Management Company, as well as First Transit, for their assistance and cooperation during the audit process.



Deborah B. Noble, CPA  
Senior Auditor



Ann Clark, CPA  
Senior Auditor



Drew Harmon, CIA, CPA  
Municipal Auditor

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# Exhibit 1



## PLAN HIGHLIGHTS

<b>WHO CAN PARTICIPATE?</b>	<p>Participation in the Plan is open to employees who have met the following requirements:</p> <p>For employee and employer profit-sharing contributions:</p> <ul style="list-style-type: none"> <li>❖ Completed 3 months of service, as defined by the Plan</li> </ul> <p>The Plan does not allow participation by employees who are:</p> <ul style="list-style-type: none"> <li>❖ Part-time employees: less than 30 hours per week</li> </ul> <p>Other requirements may also have to be met.</p>
<b>WHEN MAY I JOIN?</b>	<p>On meeting the eligibility requirements, you may join the Plan on the first payroll following completion of three months of service.</p>
<b>HOW DO I CONTRIBUTE TO THE PLAN?</b>	<ul style="list-style-type: none"> <li>❖ Through payroll deduction, you can make pre-tax contributions from <b>3%</b> up to the maximum amount of compensation allowable by law. An Internal Revenue Service (IRS) dollar limit also applies. The dollar limit was \$16,500 for 2009 &amp; 2010.</li> <li>❖ If you have an existing qualified retirement plan account with a prior employer, you may transfer or roll over that account into the Plan anytime.</li> </ul>
<b>CAN I MAKE A CATCH-UP CONTRIBUTION TO THE PLAN?</b>	<p>If you are age 50 or older and make the maximum allowable deferral to your Plan, you are entitled to contribute an additional “catch-up contribution.” The catch-up contribution is intended to help eligible employees make up for smaller contributions made earlier in their career. The maximum catch-up contribution is \$5,500 for 2009 &amp; 2010. See your Benefits Administrator for more details.</p>
<b>CAN I STOP OR CHANGE MY CONTRIBUTIONS?</b>	<ul style="list-style-type: none"> <li>❖ You may not stop your contributions for any period.</li> <li>❖ You may increase or decrease the amount of your contributions any pay period.</li> </ul>
<b>HOW DO I BECOME “VESTED” IN MY PLAN ACCOUNT?</b>	<p>Vesting refers to your “ownership” of a benefit from the Plan. You are always 100% vested in your Plan contributions and your rollover contributions, plus any earnings they generate.</p>
<b>HOW ARE PLAN CONTRIBUTIONS INVESTED?</b>	<p>You give investment directions for your Plan account, selecting from investment choices provided under the Plan, as determined by Southwestern Virginia Transit Management Company, Inc.</p> <ul style="list-style-type: none"> <li>❖ You may change your investment choices anytime.</li> </ul>
<b>WHEN CAN MONEY BE WITHDRAWN FROM MY PLAN ACCOUNT?</b>	<p>Money may be withdrawn from your Plan account in these events:</p> <ul style="list-style-type: none"> <li>❖ Death</li> <li>❖ Disability</li> <li>❖ Termination of employment</li> </ul> <p>See the Director of Administration for more details about taking withdrawals from the Plan. Be sure to talk with your tax advisor before withdrawing any money from your Plan account.</p>
<b>HOW DO I OBTAIN INFORMATION ABOUT MY PLAN ACCOUNT?</b>	<ul style="list-style-type: none"> <li>❖ You will receive a personalized account statement quarterly. The statement shows your account balance as well as any contributions and earnings credited to your account during the reporting period.</li> <li>❖ You will also have access to the automated telephone information system and the <i>DAILYACCESS</i> participant Web sit, an interactive Internet site. Both systems are designed to give you up-to-date information about your account balance, contributions, investment choices, and other Plan data. Additional information on how to use the automated telephone system and the Web site will be provided to you.</li> </ul>
<b>HOW DO I ENROLL?</b>	<p>Simply complete the enrollment forms and return to the person designated or your Benefits Administrator. Then, enter your investment elections using the automated telephone information system or the participant Web site. Directions for using those systems are found in your information packet.</p>
<b>SUMMARY PLAN DESCRIPTION</b>	<p>The above highlights are only a brief overview of the Plan’s features and are not a legally binding document. Contact your Benefits Administrator if you have any further questions.</p>



# Exhibit 2



## Statement of Assets

### SOUTHWESTERN VIRGINIA TRANSIT MANAGEMENT COMPANY RETIREMENT PLAN AND TRUST

#### Statements of Assets Available for Retirement Benefits as of December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets:		
Investments at fair value:		
Cash equivalents	\$ 223,852	\$ 277,670
Mutual funds	<u>1,654,630</u>	<u>1,064,890</u>
Total investments	1,878,482	1,342,560
Assets available for retirement benefits	<u>\$ 1,878,482</u>	<u>\$ 1,342,560</u>

Note: The data in this statement was provided by the plan record keeper, DailyAccess.com, and the plan trustee, Reliance. Both organizations have undergone SAS 70 audits, as well as independent audits of their financial statements. This presentation of plan assets was prepared by Municipal Auditing for informational purposes and is not intended to represent an audited statement in accordance with the standards of the American Institute of Certified Public Accountants.



# Exhibit 3



## Statement of Changes in Plan Assets

### SOUTHWESTERN VIRGINIA TRANSIT MANAGEMENT COMPANY RETIREMENT PLAN AND TRUST

#### Statement of Changes in Assets Available for Retirement Benefits Years Ended December 31, 2009 and 2008

	2009	2008
Additions to assets attributed to:		
Investment Income		
Net appreciation in Fair Value of Investments	\$ 418,090	\$ -
Interest and Dividends	29,119	57,149
Net Investment Income	447,209	57,149
Contributions		
Employer's contributions	87,949	88,239
Participant's contributions	119,407	139,646
Total Contributions	207,356	227,885
Total Additions	654,565	285,034
Deductions from assets attributed to:		
Net Depreciation in Fair Value of Investments	-	750,624
Benefit Payments	115,170	181,974
Administrative Expenses	3,473	5,242
Total Deductions	118,643	937,840
Net increase in assets available for retirement benefits	535,922	(652,806)
Assets available for retirement benefits:		
Beginning of year	1,342,560	1,995,366
End of year	\$ 1,878,482	\$ 1,342,560

Note: As discussed in Exhibit 2, this statement has been presented for informational purposes and is not intended to represent an audited financial statement in accordance with AICPA standards.