

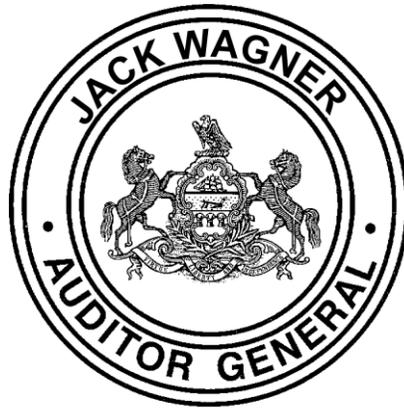
**LANSDALE BOROUGH NONUNIFORMED PENSION PLAN –
PRIMARY UNION**

MONTGOMERY COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2008, TO DECEMBER 31, 2009



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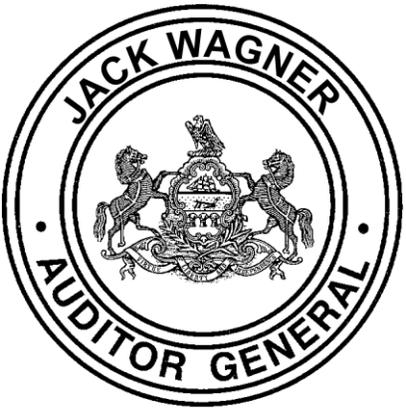
BACKGROUND

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 Lansdale Borough Nonuniformed Pension Plan – Primary Union 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 Lansdale Borough Nonuniformed Pension Plan – Primary Union is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 1587 and Ordinance No. 1588. The plan is also affected by the provisions of collective bargaining agreements between the borough and its nonuniformed union employees. Active members are not required to contribute to the plan. The municipality is required to contribute between 1.5 and 10 percent of each member's wages based on the member's age.



The Honorable Mayor and Borough Council
Lansdale Borough
Montgomery County
Lansdale, PA 19446

We have conducted a compliance audit of the Lansdale Borough Nonuniformed Pension Plan – Primary Union for the period January 1, 2008, to December 31, 2009. 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 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 finding 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.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Lansdale Borough Nonuniformed Pension Plan – Primary Union 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 borough's internal controls as they relate to the borough'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 Lansdale Borough Nonuniformed Pension Plan – Primary Union 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 No. 1 – Incorrect Data On Certification Form AG 385 Resulting
In An Overpayment Of State Aid

Finding No. 2 – Municipal Contributions Made In Excess Of
Contributions Required To Fund The Plan

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 Lansdale Borough and, where appropriate, their responses have been included in the report.

February 11, 2011

JACK WAGNER
Auditor General

LANSDALE BOROUGH NONUNIFORMED PENSION PLAN – PRIMARY UNION
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

Lansdale Borough has complied with the prior audit recommendation concerning the following:

· Failure To Appoint A Chief Administrative Officer

The borough has designated the borough manager as the plan's chief administrative officer to comply with Act 205 requirements.

LANSDALE BOROUGH NONUNIFORMED PENSION PLAN – PRIMARY UNION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: The borough certified 1 ineligible nonuniformed primary union employee (1 unit) in 2009 and certified 2 ineligible nonuniformed primary union employees (2 units) in 2010 on Certification Form AG 385.

Criteria: Pursuant to Act 205, at Section 402(e)(2), in order to be eligible for certification, an employee must have been employed on a full-time basis for at least six consecutive months and must have been participating in a pension plan during the certification year.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified.

Effect: The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Because the borough’s state aid allocations were based on unit value, the incorrect certification of pension data affected the borough’s state aid allocations, as identified below:

<u>Year</u>	<u>Units Overstated</u>	<u>Unit Value</u>	<u>State Aid Overpayment</u>
2009	1	\$ 3,128	\$ 3,128
2010	2	\$ 3,235	<u>\$ 6,470</u>
Total Overpayment of State Aid			<u>\$ 9,598</u>

Recommendation: We recommend that the total overpayment of state aid, in the amount of \$9,598, be returned to the Commonwealth from the borough’s general fund. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 11 Stanwix Street, Suite 1450, Pittsburgh, PA 15222. A copy of the interest calculation must be submitted along with the check.

We also recommend that plan officials establish adequate internal control procedures to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

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

LANSDALE BOROUGH NONUNIFORMED PENSION PLAN – PRIMARY UNION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Municipal Contributions Made In Excess Of Contributions Required To Fund
The Plan

Condition: The borough made municipal contributions in excess of the plan’s defined contribution pension costs for the year 2008, as illustrated below:

Actual municipal contributions made	\$ 145,678
Less: Actual municipal pension costs	<u>(133,145)</u>
Excess municipal contributions	<u>\$ 12,533</u>

Criteria: Article IV of Ordinance No. 1587 states:

The employer shall contribute on behalf of each participant who was an active participant on the last day of the contribution period, an amount equal to 1.5% of such participants compensation if he is under the age of 45, 3.5% of such participant’s compensation if he is between the ages of 45 and 55, and 10% of such participant’s compensation if he is between the ages of 55 or older.

Cause: The borough made a duplicate deposit of the July 2008 municipal contributions in the amount of \$12,533.

Effect: The municipality allocated funds to the members’ accounts in excess of the defined contribution rate contained in the plan’s governing document. By making excess municipal contributions, plan members could receive additional benefits beyond those outlined in the plan’s governing document.

It is the opinion of this department that the borough’s failure to withdraw excess municipal contributions made in prior years does not preclude the borough from withdrawing the municipal contributions maintained in the members’ accounts at this time.

Recommendation: We recommend that the borough, with the assistance of its solicitor, determine whether the excess municipal contributions should be withdrawn from the members’ accounts and be reimbursed to the borough.

We also recommend that plan officials establish adequate internal control procedures to ensure that municipal contributions do not exceed the plan’s annual defined contribution pension costs.

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

LANSDALE BOROUGH NONUNIFORMED PENSION PLAN – PRIMARY UNION
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF STATE AID
 AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2004	\$ 37,857	\$ 37,954
2005	None	104,620
2006	None	109,113
2007	None	122,833
2008	None	145,678
2009	None	139,380

LANSDALE BOROUGH NONUNIFORMED PENSION PLAN – PRIMARY UNION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Lansdale Borough Nonuniformed Pension Plan – Primary Union
Montgomery County
1 Vine Street
Lansdale, PA 19446

The Honorable G. Andrew Szekely	Mayor
Mr. Matthew West	Council President
Ms. Timothea Kirchner	Borough Manager
Mr. Brian Shapiro	Finance Director

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.