# LANSDALE BOROUGH NONUNIFORMED PENSION PLAN – SECONDARY UNION

## MONTGOMERY COUNTY

## COMPLIANCE AUDIT REPORT

## FOR THE PERIOD

## JANUARY 1, 2008, TO DECEMBER 31, 2009

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

**MONTGOMERY COUNTY**

**COMPLIANCE AUDIT REPORT**

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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 – Secondary 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 – Secondary Union is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 1590. The plan is a supplementary defined contribution plan for the borough's nonuniformed union employees who are members of AFSCME District Council 88, AFL-CIO. The plan is also affected by the provisions of collective bargaining agreements between the borough and AFSCME District Council 88, AFL-CIO. Active members can voluntarily contribute up to 10 percent of wages to the plan. The municipality is required to contribute 4 percent of each member's wages.

JACK WAGNER

AUDITOR GENERAL

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 – Secondary 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our 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 – Secondary 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 – Secondary Union was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

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 –
SECONDARY 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 –
SECONDARY UNION
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF STATE AID
AND EMPLOYER CONTRIBUTIONS

| Year Ended December 31 | State Aid Deposited | Employer Contributions |
|---|---|---|
| 2004 | $ 20,000 | $ 4,638 |
| 2005 | None | 22,801 |
| 2006 | None | 21,683 |
| 2007 | None | 19,688 |
| 2008 | None | 19,228 |
| 2009 | None | 22,383 |

LANSDALE BOROUGH NONUNIFORMED PENSION PLAN –
SECONDARY 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 –
Secondary 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.