

**PLUM BOROUGH NONUNIFORMED MANAGEMENT  
PENSION PLAN**

**ALLEGHENY COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2008, TO DECEMBER 31, 2010**





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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 Plum Borough Nonuniformed Management Pension Plan 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 Plum Borough Nonuniformed Management Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 679-02. Active members are not required to contribute to the plan. The municipality is required to contribute 10 percent of each member's compensation.



The Honorable Mayor and Borough Council  
Plum Borough  
Allegheny County  
Plum, PA 15239

We have conducted a compliance audit of the Plum Borough Nonuniformed Management Pension Plan for the period January 1, 2008, to December 31, 2010. 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 the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above. Plum Borough contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are available at the borough's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Plum Borough Nonuniformed Management Pension Plan 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 objective, 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 objective.

The results of our tests indicated that, in all significant respects, the Plum Borough Nonuniformed Management Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following finding further discussed later in this report:

Finding – Failure To Properly Fund Members’ Accounts

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

October 19, 2011

JACK WAGNER  
Auditor General

PLUM BOROUGH NONUNIFORMED MANAGEMENT PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – Failure To Properly Fund Members’ Accounts

Condition: The borough paid excess municipal contributions to the accounts of 6 members in 2008 and 1 member in 2010, and did not fully fund the accounts of 2 members in 2008, 12 members in 2009 and 4 members in 2010, as illustrated below:

2008:

<u>Employee Hire Date</u>	<u>Actual Contributions</u>	<u>Required Contributions</u>	<u>Contributions In Excess (Due)</u>
11/17/80	\$ 4,724	\$ 4,668	\$ 56
05/01/86	4,236	4,218	18
05/01/98	5,889	5,833	56
09/25/00	3,016	2,960	56
10/20/03	2,931	2,875	56
07/12/04	4,259	4,136	123
03/01/89	6,578	6,671	(93)
07/30/07	7,557	7,597	(40)
		Total	<u>\$ 232</u>

2009:

<u>Employee Hire Date</u>	<u>Actual Contributions</u>	<u>Required Contributions</u>	<u>Contributions In Excess (Due)</u>
11/17/80	\$ 4,913	\$ 5,094	\$ (181)
05/01/86	4,406	4,568	(162)
03/01/89	6,937	7,245	(308)
05/01/98	6,142	6,367	(225)
06/22/98	4,245	5,016	(771)
04/24/00	3,838	4,495	(657)
09/25/00	5,093	5,183	(90)
10/20/03	3,001	3,113	(112)
07/12/04	4,148	4,294	(146)
06/28/05	8,270	8,572	(302)
07/30/07	8,586	8,914	(328)
11/03/08	4,343	4,500	(157)
		Total	<u>\$ (3,439)</u>

PLUM BOROUGH NONUNIFORMED MANAGEMENT PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – (Continued)

2010:

<u>Employee Hire Date</u>	<u>Actual Contributions</u>	<u>Required Contributions</u>	<u>Contributions In Excess (Due)</u>
11/17/80	\$ 4,928	\$ 5,115	\$ (187)
03/01/89	7,266	7,276	(10)
06/22/98	5,260	5,286	(26)
10/20/03	3,155	3,258	(103)
07/30/07	9,899	9,859	40
Total			<u><u>\$ (286)</u></u>

Criteria: The plan’s governing document at Section 3.01(a), states:

The employer shall, for each Plan Year, pay to the Chief Administrative Officer for allocation to the Employer Contribution Accounts of Participants who are employed as of February 1, such that the Employer Contribution Account will be credited with ten percent (10%) of the total Compensation of the Participant for the preceding Plan Year.

Cause: Plan officials failed to establish adequate internal control procedures to ensure that the plan members’ accounts were properly funded. In addition, the 2009 contribution deficiencies resulted from an accounting irregularity caused by an extra pay period.

Effect: 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 and other members being denied benefits to which they are entitled in accordance with the plan’s governing document.

Recommendation: We recommend that the borough review the applicable members’ accounts and make the adjustments deemed necessary to ensure that 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.

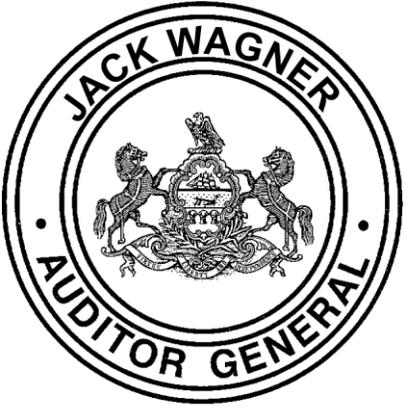
Management’s Response: Municipal officials agreed with the finding without exception and indicated that they will take appropriate action to comply with the recommendation upon receipt of the audit report.

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

PLUM BOROUGH NONUNIFORMED MANAGEMENT PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF STATE AID  
 AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2005	\$ 37,406	None
2006	None	\$ 37,218
2007	None	38,876
2008	None	46,783
2009	63,923	None
2010	76,901	None



PLUM BOROUGH NONUNIFORMED MANAGEMENT PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Plum Borough Nonuniformed Management Pension Plan  
Allegheny County  
4575 New Texas Road  
Plum, PA 15239

The Honorable Richard Hrivnak	Mayor
Mr. Michael Doyle	Council President
Mr. Michael A. Thomas	Borough Manager
Ms. Maria Gingery	Assistant Borough Secretary

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](http://www.auditorgen.state.pa.us).