

# LIMITED PROCEDURES ENGAGEMENT

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## McKees Rocks Borough Non-Uniformed Management Pension Plan

Allegheny County, Pennsylvania

For the Period

January 1, 2015 to December 31, 2017

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September 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Mayor and Borough Council  
McKees Rocks Borough  
Allegheny County  
McKees Rocks, PA 15136

We conducted a Limited Procedures Engagement (LPE) of the McKees Rocks Borough Non-Uniformed Management Pension Plan for the period January 1, 2015 to December 31, 2017 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. We also evaluated compliance with some requirements subsequent to that period when possible. The LPE was conducted pursuant to authority derived from Section 402(j) of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 *et seq.*) but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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. We believe that the evidence obtained provides a reasonable basis to support our LPE results.

Our LPE was limited to determining the following:

- 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 for all years within the engagement period. State aid allocations that were deposited into the pension plan for the years ended December 31, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.
- 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, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.

- 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, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether the January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2016 and 2018, respectively, in accordance with Act 205 and whether selected information provided on these reports 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.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the McKees Rocks Borough Non-Uniformed Management Pension Plan was not being 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 – Untimely Deposit Of State Aid

Our determination to perform a LPE for this engagement period does not preclude the Department from conducting an audit in accordance with *Government Auditing Standards* of the pension plan in subsequent periods. The borough should continue to maintain documentation related to this pension plan.

The contents of this report were discussed with officials of McKees Rocks Borough and, where appropriate, their responses have been included in this report. We would like to thank borough officials for the cooperation extended to us during the conduct of this LPE.

September 7, 2018



EUGENE A. DEPASQUALE  
Auditor General

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MCKEES ROCKS BOROUGH NON-UNIFORMED MANAGEMENT PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Untimely Deposit Of State Aid**

**Condition:** The municipality did not deposit its 2016 and 2017 state aid allocations into an eligible pension plan within the 30 day grace period allowed by Act 205. The borough received its state aid allocations in the amounts of \$118,115 and \$114,706, respectively, on September 27, 2016, and September 27, 2017, respectively, but did not deposit these funds into one of the borough’s eligible pension plans until December 19, 2016 and December 27 and 28, 2017, 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 funds or the alternate funding mechanisms applicable to the respective pension plans.

**Cause:** Due to turnover in municipal officials responsible for the administration of the borough’s pension plans who were unaware of the requirements of Act 205, the borough’s 2016 and 2017 state aid allocations were not deposited timely into the borough’s pension plans.

**Effect:** Although the state aid was eventually deposited into the plans, the interest earned beyond the 30 day grace period was not deposited into the plans. When state aid is not deposited into a pension plan account in a timely manner, the funds are not available to pay operating expenses or for investment and the risk of misapplication is increased.

**Recommendation:** We recommend that plan officials determine and pay the interest earned during the period beyond the 30 day grace period allowed by Act 205 compounded annually, into its non-uniformed management and police pension plans, accordingly. A copy of the interest calculation must be maintained by the borough 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’s Response:** Municipal officials agreed with the finding without exception.

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

MCKEES ROCKS BOROUGH NON-UNIFORMED MANAGEMENT PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 3,576	\$ 4,131
2013	3,884	5,215
2014	3,757	4,005
2015	None	9,762
2016	None	4,098
2017	\$ 5,841	6,341

MCKEES ROCKS BOROUGH NON-UNIFORMED MANAGEMENT PENSION PLAN  
REPORT DISTRIBUTION LIST

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