

**CLIFTON HEIGHTS BOROUGH NONUNIFORMED PENSION PLAN**

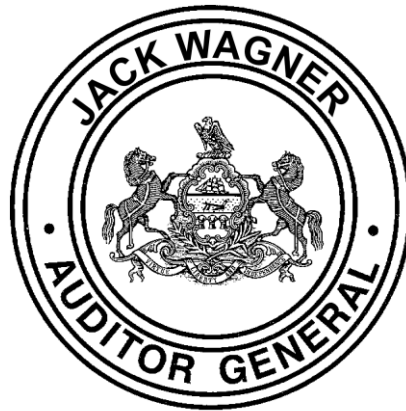
**DELAWARE COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

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





**CLIFTON HEIGHTS BOROUGH NONUNIFORMED PENSION PLAN**

**DELAWARE COUNTY**

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### ABBREVIATION

ERISA - Employee Retirement Income Security Act



## 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 Clifton Heights Borough Nonuniformed 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.

As further described in the Letter from the Auditor General included in this report, the borough's nonuniformed union employees participate in the Central Pension Fund of the International Union of Operating Engineers and Participating Employers. The plan is also affected by the provisions of collective bargaining agreements between the borough and its nonuniformed employees. Active members are not required to contribute to the plan. The municipality was required to contribute at rates of \$5.43 per hour and \$5.93 per hour, per member, effective January 1, 2008 and 2009, respectively.





The Honorable Mayor and Borough Council  
Clifton Heights Borough  
Delaware County  
Clifton Heights, PA 19018

We have conducted a compliance audit of the Clifton Heights Borough Nonuniformed Pension Plan 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding 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. The borough's nonuniformed union employees participate in the Central Pension Fund of the International Union of Operating Engineers and Participating Employers, a Taft-Hartley Act collectively bargained, jointly trustee, multi-employer pension plan, which is governed primarily by the Federal Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides for substantial federal government oversight of the operating and reporting practices of employee benefit plans subject to its provisions. Accordingly, the scope of our audit was restricted to the activities of the Clifton Heights Borough Nonuniformed Pension Plan and did not extend to the activities of the multi-employer pension plan.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Clifton Heights Borough Nonuniformed 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 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 Clifton Heights Borough Nonuniformed 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 – Noncompliance With Prior Audit Recommendation – Failure To Fully 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 Clifton Heights Borough and, where appropriate, their responses have been included in the report.

February 28, 2011

JACK WAGNER  
Auditor General

CLIFTON HEIGHTS BOROUGH NONUNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Noncompliance With Prior Audit Recommendation

Clifton Heights Borough has not complied with the prior audit recommendation concerning the following as further discussed in the Finding and Recommendation section of this report:

- Failure To Fully Fund Members' Accounts

CLIFTON HEIGHTS BOROUGH NONUNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Failure To Fully Fund Members’  
Accounts

Condition: As disclosed in the prior audit report, the borough did not fully fund the accounts of 7 members in both 2006 and 2007 in the total amounts of \$10,360 and \$1,658, respectively.

Criteria: The contract with the Central Pension Fund of the International Union of Operating Engineers and Participating Employers established the municipal contribution rate per full-time employee at \$4.19 per hour for 2006, and \$4.93 per hour for 2007.

Cause: Municipal officials failed to establish adequate internal control procedures to ensure compliance with the prior audit recommendation.

Effect: The failure to properly fund the plan could result in plan members being denied benefits to which they are entitled in accordance with the plan’s governing document.

Due to borough’s failure to properly fund the members’ accounts, the borough must now pay interest on the delinquent contributions.

Recommendation: We again recommend that the borough consult with union plan officials and deposit the contributions due to the members’ accounts for the years 2006 and 2007 with interest. 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 borough officials establish adequate internal control procedures to ensure the proper funding of the members’ accounts.

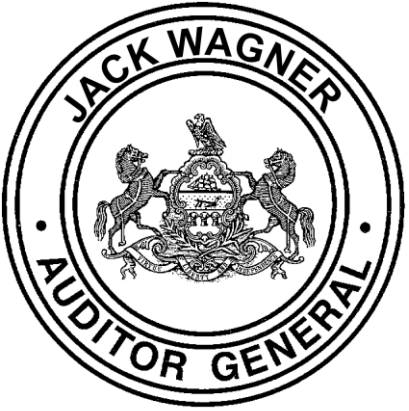
Management’s Response: Management indicated that they would provide a written response to this finding within 10 days; however, no response was received.

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

CLIFTON HEIGHTS BOROUGH NONUNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF STATE AID  
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2004	None	\$ 47,208
2005	None	49,680
2006	\$ 21,620	26,680
2007	None	71,324
2008	None	82,694
2009	None	88,321



CLIFTON HEIGHTS BOROUGH NONUNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Clifton Heights Borough Nonuniformed Pension Plan  
Delaware County  
30 South Springfield Road  
Clifton Heights, PA 19018

The Honorable Joseph T. Kelly, Jr.	Mayor
Mr. Anthony J. Casadei	Council President
Mr. Anthony Tartaglia	Borough Manager
Mr. Hugh P. McElhenney	Chief Administrative Officer

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).