

**LEECHBURG BOROUGH NONUNIFORMED UNION PENSION PLAN**

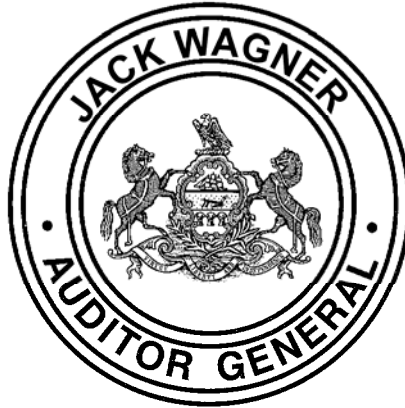
**ARMSTRONG COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2006, TO DECEMBER 31, 2007**





**LEECHBURG BOROUGH NONUNIFORMED UNION PENSION PLAN**

**ARMSTRONG 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 Leechburg Borough Nonuniformed Union 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 Western Pennsylvania Teamsters and Employers Pension Plan. The Leechburg Borough Nonuniformed Union Pension Plan is 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 is required to contribute \$325 monthly per member.



The Honorable Mayor and Borough Council  
Leechburg Borough  
Armstrong County  
Leechburg, PA 15656

We have conducted a compliance audit of the Leechburg Borough Nonuniformed Union Pension Plan for the period January 1, 2006, to December 31, 2007. 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 Western Pennsylvania Teamsters and Employers Pension Plan, 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 Leechburg Borough Nonuniformed Union Pension Plan and did not extend to the activities of the multi-employer pension plan.

Borough officials are responsible for establishing and maintaining an internal control structure to provide reasonable assurance that the Leechburg Borough Nonuniformed Union Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. To assist us in planning and performing our audit, we obtained an understanding of the borough's internal control structure as it relates to the borough's compliance with those requirements. 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 Leechburg Borough Nonuniformed Union 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 Member's Account

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

February 25, 2009

JACK WAGNER  
Auditor General

LEECHBURG BOROUGH NONUNIFORMED UNION PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

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

- Allocation Of State Aid In Excess Of Entitlement

The borough allocated \$3,785 of excess state aid to its police pension plan.

LEECHBURG BOROUGH NONUNIFORMED UNION PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – Failure To Properly Fund Member’s Account

Condition: The borough did not properly fund the account of a plan member who was hired on November 27, 2006.

Criteria: The plan’s collective bargaining agreement at Article XIV, established the municipal contribution rate of \$325 per month per regular employee.

Article VI, Section C, of the agreement further states, in part:

All new employees shall be considered probationary employees for a period of ninety (90) days from the beginning of their employment. . . If such employee is retained beyond the ninety (90) day probationary period from the beginning of his/her employment, he/she shall immediately thereafter be classified as a regular employee and his/her seniority shall commence as of the date of his/her original employment, and all of his/her rights and benefits under this Agreement shall accrue from the beginning of his/her employment.

Cause: Upon completion of the employee’s probationary period, borough officials failed to make the required contributions due retroactive to the employee’s date of hire.

Effect: The borough did not contribute \$1,600 that was due to the member’s account. Due to the borough’s failure to properly fund the member’s account, the borough must now pay interest on the delinquent contributions.

Recommendation: We recommend that the borough deposit the contributions due to the member’s account, 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, in the future, borough officials properly fund the accounts of all eligible plan members.

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

LEECHBURG BOROUGH NONUNIFORMED UNION PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF STATE AID  
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2002	\$ 7,800	\$ 455
2003	8,100	None
2004	9,350	479
2005	10,500	254
2006	3,900	None
2007	6,525	None



LEECHBURG BOROUGH NONUNIFORMED UNION PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Leechburg Borough Nonuniformed Pension Plan  
Armstrong County  
260 Market Street  
Leechburg, PA 15656

The Honorable Charles A. Pascal, Jr.	Mayor
Mr. Anthony J. DeFilippi	Council President
Ms. Nancy J. Bono	Councilwoman
Ms. Bernice Roberts	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).