



Pennsylvania Department of the

# AUDITOR GENERAL

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## News for Immediate Release

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### **Auditor General DePasquale to Withhold Pension Aid from City of Monessen**

*Serious contracting concerns, improper benefits lead to extraordinary action*

**HARRISBURG** – Citing concerns with the procurement process in selecting a new investment fund pension manager, Auditor General Eugene DePasquale today said he will withhold future state pension aid from the City of Monessen until the issue is resolved.

Pension aid will also be withheld until Monessen returns \$54,390 to the police pension fund from an unauthorized pension benefit awarded to a retired police officer.

Monessen officials did not follow state law and the city's own procurement procedures adopted in 2011 in replacing its long-time investment firm last year, including having no records explaining how the new firm was selected, according to DePasquale's recently completed audit which examined the police and firemen's pension plans from Jan. 1, 2015 to Dec. 31, 2016.

"The contract bidding process was fatally flawed," DePasquale said. "The city provided no documents, minutes or records explaining why one firm was selected over another, as required by law. The appearance of a conflict of interest further clouds the issue.

"Protecting pension plans for hard-working employees in smaller towns is every bit as important as it is in larger cities," DePasquale said. "We need to do more to protect pension plans for workers in smaller communities across the state. Decisions being made affect the lives and livelihoods of real people and I will not tolerate short-changing those workers."

Auditors also discovered the appearance of a conflict of interest where a partner who functioned as a managing director at the investment firm is the brother of a partner in the law firm that serves as city solicitor. The city solicitor was responsible to see that the pension board and city officials met city and state laws in the bidding of investment fund management professional services.

"The fair and proper remedy is to start the process over," DePasquale said. "Until the contract is rebid, or I receive the previously requested documentation required by law, I am withholding future state pension aid. I will release the funds when I am satisfied the laws and procedures in awarding this contract were followed."

The City of Monessen received \$166,236 in state pension aid in 2016 and \$160,589 in 2017.

The audit was referred to the Westmoreland County District Attorney, the Pennsylvania Attorney General's Office, the U.S. Attorney's Office and the Pennsylvania Ethics Commission.

"An investigation should determine why the process was not followed. The public should know how this happened. It's a matter of trust," DePasquale said.

According to the audit report, the bidding and awarding process had several issues, including:

- The requests for proposals required the investment management firm to have a minimum of 15 years of experience. The new firm has less than five years of experience while the former firm was with the City of Monessen for more than 20 years.
- The city and pension board could not provide evidence of the review and the evaluation of the competing firms' qualifications, experience, expertise and fees.
- The city did not summarize the relevant factors that resulted in awarding the contract.
- The city failed to make all application and disclosure forms public.
- The pension board did not maintain minutes of meetings. There was no documentation to support the pension board's review and consideration of the firms' proposals or their recommendation to the city council.
- The city did not issue a termination letter to the former investment service provider with the information required by state law and city procedures.

The audit also found that a retired police officer received \$54,390 in ineligible benefits from April 2016 until July 2017 when the benefits were suspended. The officer received a \$3,399 monthly benefit though he was not eligible for his pension until 2023.

"The officer should not have received the benefit until he was eligible in 2023," DePasquale said. "I am passing this along to the appropriate authorities because the public deserves to know how this happened. An investigation should determine whether this was intentional or a mistake."

The City of Monessen agreed with the ineligible pension benefits finding and will repay \$54,390 to the police pension plan.

City officials also agreed with two other audit findings agreeing to: repay an \$8,750 pension overpayment to the state and maintain minutes of future pension board meetings.

The City of Monessen police and firemen pension plan audit reports are available online at:

- [Police Pension Plan](#)
- [Firemen's Pension Plan](#)

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