

COMPLIANCE AUDIT

Cambria County Sewage Enforcement Agency Non-Uniformed Pension Plan Cambria County, Pennsylvania For the Period January 1, 2016 to May 4, 2020

February 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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We have conducted a compliance audit of the Cambria County Sewage Enforcement Agency Non-Uniformed Pension Plan for the period January 1, 2016 to May 4, 2020. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed 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. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined 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 period under audit. State aid allocations that were deposited into the pension plan for the years ended December 31, 2014 to May 4, 2020, are presented on the Summary of Deposited State Aid and Employer Contributions.

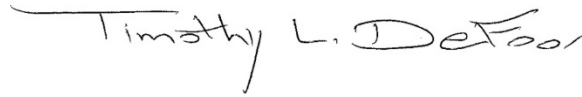
- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing 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, 2014 to May 4, 2020, are presented on the Summary of Deposited State Aid and Employer Contributions.
- We determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our audit period.
- We determined whether retirement benefits calculated for plan members who separated employment and received a lump-sum distribution during the current audit period, and through the completion of our fieldwork procedures, represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.
- We determined whether the January 1, 2017 and January 1, 2019 actuarial valuation reports were prepared and submitted by March 31, 2018 and 2020, 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.

Agency officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Cambria County Sewage Enforcement Agency Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objective.

The results of our procedures indicated that, in all significant respects, the Cambria County Sewage Enforcement Agency Non-Uniformed 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 – Return Of Unused Monies To The Commonwealth

The contents of this report were discussed with officials of the Cambria County Sewage Enforcement Agency and, where appropriate, their responses have been included in the report. We would like to thank agency officials for the cooperation extended to us during the conduct of the audit.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

January 25, 2021

TIMOTHY L. DEFOOR
Auditor General

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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.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) 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 Cambria County Sewage Enforcement Agency Non-Uniformed Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Cambria County Sewage Enforcement Agency Non-Uniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 2008-01, as amended. The plan was established January 1, 2008. Active members were not required to contribute to the plan. The agency was required to contribute 6 percent of each participant's compensation for 2016 and 7 percent of each participant's compensation for 2017, 2018, 2019, and 2020. The agency ceased operation in May 2020 and as of May 4, 2020, the plan had no active members, no terminated members eligible for vested benefits in the future, and no retirees receiving pension benefits.

CAMBRIA COUNTY SEWAGE ENFORCEMENT AGENCY
NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Return Of Unused Monies To The Commonwealth

Condition: The Cambria County Sewage Enforcement Agency has not employed a full-time employee since May 2020 and has ceased operation. In addition, there are no terminated members eligible for vested benefits in the future or retirees receiving pension benefits from the pension plan. However, as of December 16, 2020, the date of our fieldwork completion, the agency has retained its 2020 state aid allocation in the amount of \$6,091, which includes unused state aid allocated under Act 205 intended for pension purposes. Of the \$6,091, \$1,117 is earmarked for reimbursement of 2020 employer contributions and \$500 for administrative fees, leaving state aid of \$4,474 to be returned to the Commonwealth.

Criteria: Act 205, at Section 402(g), directs that:

Any general municipal pension system State aid received by a municipality shall, only be used to defray the cost of the pension plan or pension plans maintained by the municipality ...

Furthermore, Section 402(j) authorizes the Auditor General to administer the General Municipal Pension State Aid Program. This administrative power necessarily extends to ensuring that state aid is both allocated and used in accordance with the act. It has been the consistent practice of this department that municipalities that have received state aid under this program, and which do not employ at least one full-time employee must return unused funds not used for the purposes set forth herein within two years after receipt thereof, to the Commonwealth for distribution.

Cause: Agency officials were unsure of the proper disposition of the unused funds or their responsibility to return any unused state aid allocated under Act 205 intended for pension purposes pursuant to the aforementioned criteria, to the Commonwealth.

Effect: Funds distributed under the General Municipal Pension System State Aid Program were not used for their intended statutory purpose or returned to the Commonwealth for redistribution to defray other eligible municipalities' pension plan costs.

Recommendation: We recommend that unused state aid funds in the amount of \$4,474 be returned to the Commonwealth. A check in the amount should be made payable to the Commonwealth of Pennsylvania and submitted to: Department of the Auditor General, Municipal Pensions & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

Management's Response: Agency officials agreed with the finding without exception.

Auditor's Conclusion: Compliance will be monitored subsequent to the release of the audit report.

CAMBRIA COUNTY SEWAGE ENFORCEMENT AGENCY
NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2014	\$ 4,168	\$ 532
2015	4,700	56
2016	4,899	258
2017	5,157	1,138
2018	5,824	None
2019	5,751	339
2020*	1,617**	None

The Cambria County Sewage Enforcement Agency has not employed a full-time employee since May 2020 and has ceased operation. On May 4, 2020, the terminated non-uniformed employees received their pension distributions in accordance with the plan’s governing document. In addition, there are no terminated members eligible for vested benefits in the future or retirees receiving pension benefits from the pension plan.

* Year ended May 4, 2020

** See Finding

CAMBRIA COUNTY SEWAGE ENFORCEMENT AGENCY
NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Bruce Baker
Chairman, Executive Board

Mr. Giles Dumm
Vice-Chairman, Executive Board

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.