

COMPLIANCE AUDIT

Steel Rivers Council of Governments Non-Uniformed Pension Plan Allegheny County, Pennsylvania

February 2026



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Steel Rivers Council of Governments
Allegheny County
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We have conducted a compliance audit of the Steel Rivers Council of Governments Non-Uniformed Pension Plan 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings 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 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. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. 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:

- For the period January 1, 2023 to December 31, 2024, 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2019 to December 31, 2024, are presented on the Summary of Deposited State Aid and Employer Contributions.
- For the period January 1, 2023 to December 31, 2024, 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, 2019 to December 31, 2024, are presented on the Summary of Deposited State Aid and Employer Contributions.
- For the period January 1, 2023 to December 31, 2024, we determined whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for the years in the period noted and examining documents evidencing the deposit of these employee contributions into the pension plan. We also tested individual employee contributions for all 27 active employees employed during 2023 and all 31 active employees employed during 2024, amounting to \$49,288 and \$63,340, for the years 2023 and 2024, respectively.
- For the period January 1, 2023 to December 31, 2024, we determined whether retirement benefits calculated for plan members who separated employment and received a lump-sum distribution during the period noted 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, 2023 actuarial valuation report was prepared and submitted by March 31, 2024 in accordance with Act 205 and whether selected information provided on this report 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.
- For the period January 1, 2023 to December 31, 2024, we determined whether transfers were properly authorized, timely, and appropriately recorded by plan officials by examining supporting documentation for all of the transfers made during the period noted.

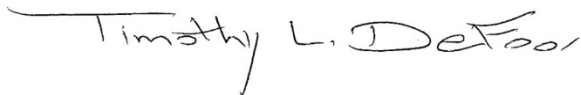
Council officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Steel Rivers Council of Governments Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, 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 objectives.

The results of our procedures indicated that, in all significant respects, the Steel Rivers Council of Governments Non-Uniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above, except as noted in the following findings further discussed later in this report:

Finding No. 1 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Finding No. 2 – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

The contents of this report were discussed with officials of the Steel Rivers Council of Governments and, where appropriate, their responses have been included in the report. We would like to thank council officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
January 8, 2026

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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 two 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 Steel Rivers Council of Governments 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 Steel Rivers Council of Governments Non-Uniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 4-86, dated May 1, 1986, and a separately executed plan document, effective January 1, 2003. The plan was established July 16, 1985. Active members are required to contribute 3 percent of compensation to the plan and may make additional optional contributions in an amount not to exceed 10 percent of compensation. The Council is required to contribute 8 percent of compensation to the plan. As of December 31, 2024, the plan had 21 active members, and 12 terminated members eligible for vested benefits in the future.

STEEL RIVERS COUNCIL OF GOVERNMENTS NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Recommendation

The Steel Rivers Council of Governments has complied with the prior recommendation concerning the following:

· Receipt Of State Aid In Excess Of Entitlement

On March 2, 2021, the Council returned \$531 of excess state aid received in the year 2020 to the Commonwealth.

STEEL RIVERS COUNCIL OF GOVERNMENTS NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment
Of State Aid**

Condition: The Steel Rivers Council of Governments certified an ineligible non-uniformed employee and overstated payroll by \$16,416 on the Certification Form AG 385 filed in 2025. The data contained on this certification form is based on prior calendar year information.

Criteria: Pursuant to Act 205, at Section 402(e)(2), in order to be eligible for certification, an employee must have been employed on a full-time basis for at least six consecutive months and must have been participating in a pension plan during the certification year. In addition, pursuant to the instructions that accompany Certification Form AG 385, the total payroll eligible to be certified should be Internal Revenue Service Form W-2 earnings pertaining to full-time positions.

Cause: The Council certified an employee using an incorrect date of hire which resulted in the certification of an employee who did not work full time for six consecutive months during the plan year.

Effect: The data submitted on this certification form is used, in part, to calculate the state aid due to the municipality for distribution to its pension plan. Because the council’s state aid allocation was based on pension costs, the incorrect certification of pension data affected the council’s 2025 state aid allocation, as identified below:

<u>Year</u>	<u>Normal Cost</u>	<u>Payroll Overstated</u>	<u>State Aid Overpayment</u>
2025	8.0%	\$ 16,416	\$ 1,313

Recommendation: We recommend that the total excess state aid, in the amount of \$1,313, plus interest, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

We also recommend that the council establish adequate internal control procedures, such as having at least two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

STEEL RIVERS COUNCIL OF GOVERNMENTS NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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

Auditor’s Conclusion: The Council’s compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the pension plan.

Finding No. 2 – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

Condition: The Steel Rivers Council of Governments made contributions to the non-uniformed pension plan in excess of contributions required to fund the pension plan in the year 2024, as illustrated below:

Actual municipal pension costs	\$ 97,834
State aid allocated	<u>\$ (76,245)</u>
Municipal contributions required to fund plan	\$ 21,589
Actual municipal contributions made	<u>\$ 24,947</u>
Excess municipal contributions	<u><u>\$ 3,358</u></u>

Criteria: Section 3.1 of an amending resolution effective 03-06-2008 states, in part:

Effective January 1, 2008, the Employer Contribution amount shall be equal to 8% of the Participant’s Compensation.

Since state aid allocated to a pension plan must be expended on pension costs, it is the opinion of this department that where municipal contributions and state aid are both deposited into a pension plan, the state aid is expended first to fund pension costs.

Cause: The Council did not have adequate internal control procedures in place to ensure that municipal contributions would not exceed the required contributions outlined in the plan’s governing document.

STEEL RIVERS COUNCIL OF GOVERNMENTS NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: The Council allocated funds to the members' accounts in excess of the defined contribution percentage rate contained in the plan's governing document. By making excess municipal contributions, plan members could receive additional benefits beyond those outlined in the plan's governing document.

It is the opinion of this department that the Steel Rivers Council of Governments' failure to withdraw excess municipal contributions made in prior years does not preclude it from withdrawing the municipal contributions maintained in the members' accounts at this time.

Recommendation: We recommend that the Council, with the assistance of its solicitor, determine whether the excess municipal contributions should be withdrawn from the members' accounts and be reimbursed to the Council.

We also recommend that, in the future, council officials reconcile the amount of state aid allocated to the non-uniformed pension plan and municipal contributions made to the pension plan with the pension plan's annual defined contribution pension costs.

Management's Response: Council officials provided the following response.

Upon internal review, the Steel Rivers Council of Governments (SRCOG) identified that the excess contribution resulted from a clerical error. During preparation of materials requested for the audit, staff noted that the total employer contributions for 2024 were not tracking appropriately with gross wages. Upon reviewing the detailed records, we discovered that an overpayment of the employer portion had occurred for December 2024. On October 29, 2025, we provided the auditor with a spreadsheet reflecting the corrected contribution amounts so that accurate gross wages for 2024 could be reported. The corrective action SRCOG identified was to reduce the next deposit by the appropriate amount, which will be reflected in the November 2025 employer contribution submission.

It is important to note that the excess contribution did not negatively impact the Plan, its participants, or the distribution of State Aid. Additionally, SRCOG fully satisfied the 2024 Minimum Municipal Obligation (MMO). Pursuant to Act 205, the annual MMO must be met by December 31 of the plan year. The contribution – although initially entered incorrectly – exceeded the amount required, and SRCOG therefore met the 2024 MMO in accordance with the statutory requirements.

STEEL RIVERS COUNCIL OF GOVERNMENTS NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Given this isolated matter was the result of a clerical oversight, was self-identified during the audit preparation process, and had no adverse impact on plan funding, participants, or State Aid, we respectfully request that it be reclassified as an observation rather than a finding.

SRCOG remains committed to maintaining strong internal controls and has implemented measures to ensure continued accuracy in processing all future pension contributions.

Auditor's Conclusion: While we acknowledge council officials' intent to rectify the error, no evidence has been provided, as of the completion of our audit fieldwork, that the excess municipal contributions have been withdrawn from the members' accounts. Based on the criteria cited above, the finding remains as stated. Compliance will be evaluated during our next audit of the plan.

STEEL RIVERS COUNCIL OF GOVERNMENTS NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS
(UNAUDITED)

Year Ended December 31	State Aid	Employer Contributions
2019	\$ 23,833	\$ 4,615
2020	27,167	None
2021	27,100	3,150
2022	30,887	1,305
2023	31,871	30,929
2024	76,245	24,947 <i>(refer to Finding No. 2)</i>

STEEL RIVERS COUNCIL OF GOVERNMENTS NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Ms. An Lewis
Executive Director

Ms. Kristin L. Gusten
Finance and Administration Director

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.