

COMPLIANCE AUDIT

Munhall Borough Non-Uniformed Pension Plan Allegheny County, Pennsylvania For the Period January 1, 2019 to December 31, 2023

August 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and Borough Council
Munhall Borough
Allegheny County
Munhall, PA 15120

We were engaged to conduct a compliance audit of the Munhall Borough Non-Uniformed Pension Plan for the period January 1, 2019 to December 31, 2023 and to evaluate 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.

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.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Munhall Borough Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Results for Objective No. 1

For the portion of our audit related to determining if municipal officials took appropriate corrective action to address the finding contained in our prior report, it is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, which included tests of transactions and interviews with selected officials, we were able to determine that borough officials took appropriate corrective action to partially address the finding contained in our prior report. Finding No. 4 contained in this audit report repeats a condition cited in our previous report that has not been corrected by borough officials. We are concerned by the borough's failure to fully correct this previously reported finding and strongly encourage timely implementation of the recommendations noted in this audit report.

Results for Objective No. 2

For the portion of the audit related to determining if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, borough officials were unable to provide documentation that we requested in order to perform our audit, as detailed in the following finding:

Finding No. 1 – Failure To Maintain And Monitor An Adequate Record-Keeping System

Because of the limitations described in Finding No. 1, the scope of our work was not sufficient to enable us to conclude, and we do not express a conclusion, on whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

However, we were able to perform certain limited audit procedures as described below.

- We examined plan benefit provisions in the various available plan documents (i.e., collective bargaining agreements, governing plan document) for consistency across documents.
- We inquired of municipal officials regarding the existence of documentation related to the eligibility determination, pension calculation, and commencement of pension payments for plan members who terminated employment with the borough during and subsequent to the current audit period.
- We examined available supporting documentation to determine whether required annual employer contributions were deposited timely into the pension plan in accordance with applicable legislation.

Based on the limited audit procedures we were able to perform, we have included the findings listed below in this report.

Finding No. 2 – Inconsistent Pension Benefits

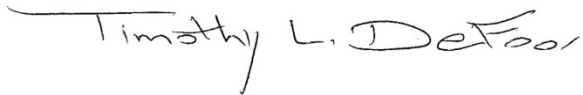
Finding No. 3 – Failure To Determine Or Document Pension Benefits

Finding No. 4 – Partial Compliance With Prior Audit Recommendation –
Failure To Timely Pay The Minimum Municipal Obligation Of
The Plan

Furthermore, if the scope of our work had been sufficient to enable us to conclude on the pension plan's compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, additional instances of noncompliance or other matters may have been identified and reported herein.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Munhall Borough and, where appropriate, their responses have been included in the report.

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

Timothy L. DeFoor
Auditor General
June 18, 2025

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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 Munhall Borough 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 Munhall Borough Non-Uniformed Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 1564, as amended, for non-uniformed employees hired prior to January 1, 2012 (*refer to Finding No. 3*). Non-uniformed employees hired on or after January 1, 2012, are members of the borough's non-uniformed money purchase plan (*separately audited*). The defined benefit plan is also affected by the provisions of collective bargaining agreements between the borough and its non-uniformed employees. The plan was established July 1, 1963. Active members are required to contribute 2 percent of compensation to the plan. As of December 31, 2023, the plan had 10 active members, 4 terminated members eligible for vested benefits in the future, and 18 retirees receiving pension benefits from the plan.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDING

Partial Compliance With Prior Recommendation

Munhall Borough has partially complied with the prior recommendation concerning the following:

- Failure To Timely Pay The Minimum Municipal Obligation Of The Plan

Borough officials paid the MMOs for the audit period timely; however, borough officials were unable to provide documentation to support payment of the 2024 MMO as further discussed in Finding No. 4 of this report.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Maintain And Monitor An Adequate Record-Keeping System

Condition: The borough did not maintain adequate records for examination during the course of the audit to indicate sufficient monitoring of the activity of the pension plan. The following records were not maintained or provided by the borough:

- Payroll records for the years ending December 31, 2019, 2020, 2021, and 2022 including documentation for wages used in member contribution determinations, pension calculations, MMO calculations, and AG 385 certifications.
- Demographic data for the active, retired, and terminated pension plan members for the audit period to determine AG 385 certification eligibility and benefit eligibility.
- Internal Revenue Service Form 1099 for the retirees of the plan for the audit period to compare pension benefits due to retirees to actual benefits paid.
- Ordinance No. 1608 which reduced vesting eligibility from 10 years of service to 5 years of service (*refer to Finding No. 2*).
- Ordinance No. 1610 which added additional early retirement provisions (*refer to Finding No. 2*).
- The collective bargaining agreement for the period January 1, 2018 to December 31, 2021 to reconcile negotiated benefits to governing plan provisions.
- Documentation to support the calculation and commencement of members' pension benefits (*refer to Finding No. 3*).
- Documentation to support the deposit of the borough's defined benefit pension plans' 2024 MMOs (*refer to Finding No. 4*).
- Documentation to support the deposit of 2024 state aid into an eligible pension plan to determine if deposited within 30 days of receipt.

Criteria: An adequate system of accounting and record-keeping is a prerequisite for sound administration of pension plans.

In addition, assets held in a pension plan account for the purpose of plan management are to be governed by the terms and provisions of the governing plan document and account contract, provided that the terms and provisions of the contract are within the parameters of all prevailing pension legislation. Although the municipality may contract with a trustee to administer the financial management of the plan, the fiduciary responsibility for the plan remains with the municipality.

Cause: Effective January 1, 2009, the borough adopted Ordinance No. 1536 which outlined the duties, responsibilities and functions of the borough manager which included the responsibility to borough council as the chief administrative officer for the administration of all borough affairs. During the audit period, the borough experienced a high rate of turnover in the borough manager position with three different managers. Accordingly, current plan officials were unaware of their various record-keeping and fiduciary responsibilities of pension plan administration.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: The failure of borough officials to maintain adequate records prohibits plan officials from effectively monitoring the plan's financial operations. Inadequate records and monitoring of the non-uniformed pension plan account could lead to undetected errors or improprieties in account transactions as well as deficiencies in authorizing and implementing pension plan policies and procedures.

Recommendation: We recommend that borough officials establish accounting procedures, including record-keeping procedures, necessary to allow management to maintain effective awareness of and control over the activity of the plan. Borough officials should refer to the Auditor General's Bulletin No. 2-88 entitled "Preparation, Maintenance and Auditability of Financial Records," for further guidance in establishing adequate accounting procedures. We also recommend that plan officials examine all financial transactions of the pension plans to ensure the accuracy, timeliness, and propriety of the transactions.

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

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

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inconsistent Pension Benefits

Condition: The pension plan’s governing document, Ordinance No. 1564, as amended, contains benefit provisions that conflict with the collective bargaining agreement between the non-uniformed employees and the borough, as follows:

Benefit	Governing Document Ordinance No. 1564	Collective Bargaining Agreement January 1, 2022 to December 31, 2026
Vesting	Section 8.02 states, in part: A participant who has completed at least ten (10) years of service and whose employment with the employer shall terminate for any reason other than retirement, death or disability prior to attainment of normal retirement age shall be entitled to elect, by giving written notice of such election to the plan administrator within ninety (90) days following the date that the participant’s employment terminated, to receive a deferred vested benefit in lieu of a distribution of accumulated contributions...	Section D of Article No. XV states: All other benefits and provisions, including the 5-year vesting benefit and the survivor’s death benefit of the current pension plan shall, except as herein amended, remain in full force and effect throughout the term of the Agreement.
Early retirement	Section 1.16 states: Early Retirement Age shall mean the date on which the participant has attained a minimum age of sixty (60) and completed twenty (20) years of service with the Employer.	Section G of Article XV states: Early retirement age shall mean either of the following: The date on which the participant has attained a minimum age of sixty (60) and completed twenty (20) years of service with the employer; or the date on which the participant has attained a minimum age of fifty-five (55) and completed thirty (30) years of service with the employer.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Benefit	Governing Document Ordinance No. 1564	Collective Bargaining Agreement January 1, 2022 to December 31, 2026
Plan participation	Section 1.18 states, in part: Employees hired on or after January 1, 2012, shall have an account under the Money Purchase Plan. Section 2.01 states, in part: On or after January 1, 2012 each other person shall become a participant in the Money Purchase Pension plan described in Appendix A...	All Bargaining Unit members hired on or after January 1, 2011 will not be entitled to and will not participate in the pension program described above. Rather, said bargaining unit members shall be entitled to and will participate in the Borough defined contribution plan.

Criteria: A governing document which contains clearly defined and updated benefit provisions is a prerequisite for the consistent, sound administration of retirement benefits. The plan's governing document and the collective bargaining agreement should contain consistent benefit provisions to ensure the sound administration of retirement benefits.

Cause: Effective January 1, 2009, the borough adopted Ordinance No. 1536 which outlined the duties, responsibilities and functions of the borough manager which included the responsibility to borough council as the chief administrative officer for the administration of all borough affairs. During the audit period, the borough experienced a high rate of turnover in the borough manager position with three different managers. In addition, the pension plan's actuary cites benefit provisions amended by two ordinances which borough officials were unable to provide to substantiate that the provisions were actually adopted (*refer to Finding No. 1*).

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that borough officials take appropriate action to ensure the plan's governing document and the collective bargaining agreement contain consistent benefit provisions at their earliest opportunity to do so.

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

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

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure To Determine Or Document Pension Benefits

Condition: The borough was unable to provide documentation of the eligibility determination, pension calculation, and commencement of pension payments for plan members who terminated employment with the borough on June 30, 2021 and June 5, 2024.

Criteria: Based on the collective bargaining agreement between the non-uniformed employees and the borough, it appears that one plan member is eligible for a normal retirement and the other plan member is eligible for an early retirement benefit. Sound internal control procedures dictate that pension benefits should be determined in a timely manner following a plan member's termination of employment and that the borough should maintain adequate supporting documentation to substantiate the accuracy of pension benefit determination, amounts, and commencement of benefit payments.

Cause: Effective January 1, 2009, the borough adopted Ordinance No. 1536 which outlined the duties, responsibilities and functions of the borough manager which included the responsibility to borough council as the chief administrative officer for the administration of all borough affairs. During the audit period, the borough experienced a high rate of turnover in the borough manager position with three different managers (*refer to Finding No. 1*).

Effect: The failure of plan officials to timely determine pension benefits and maintain supporting documentation could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that plan officials contact the plan consultant or custodian regarding the aforementioned plan members' benefit determinations to ascertain if the benefits were determined and are being paid. In addition, we recommend that plan officials establish adequate internal control procedures to ensure that all pension benefits are determined timely and supported by adequate documentation and maintained by the borough.

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

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

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Partial Compliance With Prior Audit Recommendation – Failure To Timely Pay The Minimum Municipal Obligation Of The Plan

Condition: As disclosed in the Status of Prior Finding section of this report, the borough partially complied with the prior audit recommendation by timely depositing the minimum municipal obligations (MMOs) into the pension plan for the audit period. However, plan officials were unable to provide documentation to support the payment and deposit of the 2024 MMO into the plan (*refer to Finding No. 1*).

Criteria: With regard to the MMO, Section 302(c) of Act 205 states, in part:

Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Section 302(d) of Act 205 states, in part:

The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality. Payment of the minimum obligation of the municipality shall be made by the municipality prior to December 31.

Furthermore, Section 302(e) of Act 205 states:

Any amount of the minimum obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is paid at a rate equal to the interest assumption used for the actuarial valuation report or the discount rate applicable to treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation was due, whichever is greater, expressed as a monthly rate and compounded monthly.

Cause: Effective January 1, 2009, the borough adopted Ordinance No. 1536 which outlined the duties, responsibilities and functions of the borough manager which included the responsibility to borough council as the chief administrative officer for the administration of all borough affairs. During the audit period, the borough experienced a high rate of turnover in the borough manager position with three different managers. Accordingly, current plan officials were unaware of their various record-keeping and fiduciary responsibilities of pension plan administration.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Effect: Since the borough was unable to provide documentation to support the payment of the 2024 MMO, we are unable to determine if the borough met its financial obligation under Section 302 of Act 205 and the pension plan may not have been fully funded by the December 31 deadline. Accordingly, the borough may incur interest penalties that otherwise would not have been incurred had the MMO been paid timely in accordance with Act 205.

Furthermore, the borough's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend plan officials determine if the 2024 MMO was paid timely and if it is discovered that it was not paid by December 31, 2024, we recommend that the municipality pay the MMO due to the non-uniformed pension plan for the year 2024, with interest, in accordance with Section 302(e) of Act 205. A copy of the interest calculation must be maintained by the borough for examination during our next audit of the plan. We also again recommend that plan officials establish and implement internal control procedures to ensure that future MMOs are paid timely in accordance with Act 205 requirements.

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

Auditor Conclusion: We are concerned that the municipality has not fully complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

A condition of a repeat finding such as that reported by Finding No. 4 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action will not be considered if sufficient written documentation is provided to verify compliance with this department's recommendation. Such documentation should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2019, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-19	\$ 4,988,762	\$ 5,266,488	\$ 277,726	94.7%
01-01-21	5,568,521	5,409,471	(159,050)	102.9%
01-01-23	6,001,526	5,512,414	(489,112)	108.9%

Note: The market values of the plan's assets at 01-01-19, 01-01-21, and 01-01-23 have been adjusted to reflect the smoothing of gains and/or losses over a 4-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2018	\$ 172,194	100.2%
2019	171,208	101.4%
2020	127,639	110.1%
2021	84,755	100.0%
2022	70,224	104.6%
2023	73,473	100.0%

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2023
Actuarial cost method	Entry age normal
Amortization method	Not applicable
Remaining amortization period	None
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases *	4.75%

* Includes inflation at 2.75%

MUNHALL BOROUGH NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Rob Falce
Mayor

Mr. Rick Brennan
Council President

Mr. David Tye
Borough Manager

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.