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Mayor



Todd Burkey
Chief Financial Officer

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[REDACTED],

I am in receipt of the draft version of the Performance Audit of Lifeguard Pension Program: City of North Wildwood. The report contains 3 findings and 5 recommendations which this letter will address individually.

Finding #1: The city approved retirement benefits for an ineligible retiree, resulting in improper payments of approximately \$62,000.

Response: The city has ceased payments to the individual that is in question for entitlement to pension benefits. In the records of time for this individual, 3 of the 20 years reflect that this individual did not have a full 45 days of service in a year. Records prior to 2008 are handwritten and at the time of retirement the Lifeguard Chief and Payroll Supervisor determined the years of service were adequate. Until 2024 lifeguards were paid for a day of service when on duty regardless of the hours of each day which can complicate a day of service calculation. In light of the findings by the State Comptroller's office, this case is being brought to the Lifeguard Pension Board and the attorney for the board to decide upon any further action.

Finding #2: Annual Audit reports did not disclose the City's total lifeguard pension liability calculated by an actuary as required by GASB Statement 73.

Response: In soliciting quotes from Actuaries, one Actuary indicated that the City is not subject to GASB 73 but instead GASB 68. The city has a separate dedicated trust account for Lifeguard Pension that separates it from other towns that have a Lifeguard Pension Plan. The city is soliciting quotes and will have the Lifeguard Pension Board approve the contract of an Actuary to calculate the liability within the next month.

Finding #3: The City's service credit tracking system did not accurately record the total number of lifeguard service years. The pension commission did not review the verification of retiree eligibility or the calculation of retiree benefits.

Response: North Wildwood now pays lifeguards on a per hour basis starting in 2024. Prior to that it was per day and since a lifeguard got paid for a day regardless of the number of hours in that day it was difficult to determine actual days worked as they were frequently rounded when entered in the payroll system. Also, lifeguards used timesheets and manual time clocks prior to 2024. Currently, an electronic means of tracking time is in place. ADP is utilized for timekeeping and it is imported into our payroll system (Edmunds GovTech). The Pension Board will now approve all calculations and payments paid out of the Lifeguard Pension Trust going forward.

Recommendation #1: Develop and implement written procedures that require the pension commission to verify employees' eligibility and approve benefit calculations.

Response: The city is currently developing written procedures and will have them implemented prior to anyone else being approved by the board.

Recommendation #2: Obtain periodic actuary calculations of the City's lifeguard pension fund as required by GASB Statement 73. Improve the adequacy of lifeguard pension disclosures to comply with the requirements of GASB Statement 73.

Response: The city has obtained three quotes for an Actuary Report of Pension Liabilities and will be presenting them to the Pension Board to approve one.

Recommendation #3: Improve the City's tracking system to ensure accurate calculations and tracking of total pension-eligible service credit and total wages earned for lifeguards.

Response: With the City now using ADP for electronic time keeping of the lifeguards and that time being imported to the payroll system (Edmunds Govtech) in actual hours I am confident in the accuracy of time worked per year going forward. No longer are there manual records or rounded time entered as days to the payroll system. The developing and implementing of written procedures will also aid in assuring the accuracy of records.

Recommendation #4: Implement Procedures to annually reconcile service credits earned to payroll records and examine any identified differences.

Response: Importing of time to payroll has made this happen every pay period.

Recommendation #5: Seek legal guidance to recover all improperly paid retirement benefits and discontinue payments to the retiree who did not meet the eligibility requirements.

Response: The City has already discontinued payments to the individual and is turning over the findings to the Pension Board and its attorney. They will be responsible to determine what action if any should be taken to recover funds paid.

Sincerely,



Todd N Burkey, CFO, CTC
City of North Wildwood