

# LIMITED PROCEDURES ENGAGEMENT

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## Earl Township Employees' Defined Contribution Pension Plan Berks County, Pennsylvania For the Period January 1, 2013 to December 31, 2015

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September 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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We conducted a Limited Procedures Engagement (LPE) of the Earl Township Employees' Defined Contribution Pension Plan for the period January 1, 2013 to December 31, 2015 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. We also evaluated compliance with some requirements subsequent to that period when possible. The LPE was conducted pursuant to authority derived from Section 402(j) of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 *et seq.*) but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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. We believe that the evidence obtained provides a reasonable basis to support our LPE results.

Our LPE was limited to determining the following:

- 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 engagement period. State aid allocations that were deposited into the pension plan for the years ended December 31, 2013 to December 31, 2015, are presented on the Summary of Deposited State Aid and Employer Contributions.
- 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, 2013 to December 31, 2015, are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether retirement benefits calculated for plan members who retired during the engagement period 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 monthly pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.
- Whether the January 1, 2015 actuarial valuation report was prepared and submitted to the Public Employee Retirement Commission (PERC) by March 31, 2016 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.

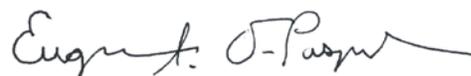
Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Earl Township Employees' Defined Contribution Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following finding further discussed subsequent to this letter:

Finding – Failure To Fund Member's Account

Our determination to perform a LPE for this engagement period does not preclude the Department from conducting an audit in accordance with *Government Auditing Standards* of the pension plan in subsequent periods. The township should continue to maintain documentation related to this pension plan.

The contents of this letter were discussed with officials of Earl Township and, where appropriate, their responses have been included in this letter. We would like to thank township officials for the cooperation extended to us during the conduct of this LPE.

September 22, 2016



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Finding and Recommendation:	
Finding – Failure To Fund Member’s Account .....	1
Summary of Deposited State Aid and Employer Contributions .....	2
Distribution List .....	3

EARL TOWNSHIP EMPLOYEES' DEFINED CONTRIBUTION PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Failure To Fund Member's Account**

Condition: In 2015, the township did not fund the account of one member in the amount of \$4,229.

Criteria: The plan's governing document, Ordinance No. 2013-01, sets the municipal contribution rate at 8 percent of participant's compensation per full-time employee.

Cause: Township officials were unaware that the funds intended for the member's account had not been deposited.

Effect: The failure to fund the account of a member could result in the plan member being denied benefits to which the member is entitled in accordance with the plan's governing document.

Due to township's failure to fund the referenced member's account, the township must now pay interest on the delinquent contribution.

Recommendation: We recommend that the township deposit the contribution due to the member's account for the year 2015, with interest, from the date of deposit of the municipal contributions which were made in that year to the date of deposit of the amount in arrears. A copy of the interest calculation must be maintained by the township for examination during our next engagement of the plan.

We also recommend that, in the future, township officials properly fund the accounts of all eligible plan members.

Management's Response: Municipal officials agreed with the finding without exception. On September 7, 2016, the township deposited the contribution due, with interest, into the member's account.

Auditor's Conclusion: Based on the management response, it appears municipal officials have complied with the finding recommendation.

EARL TOWNSHIP EMPLOYEES' DEFINED CONTRIBUTION PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2013	None	\$ 650
2014	None	4,286
2015	None	12,897

EARL TOWNSHIP EMPLOYEES' DEFINED CONTRIBUTION PENSION PLAN  
DISTRIBUTION LIST

This letter was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Mr. William Moyer**  
Chairman, Board of Township Supervisors

**Mr. John Hetrick**  
Vice- Chairman, Board of Township Supervisors

**Mr. Michael Marburger**  
Township Supervisor

**Ms. Michele Hummel**  
Secretary/Treasurer

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