



**RICHMOND TOWNSHIP NON-UNIFORMED  
PENSION PLAN**

**BERKS COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2010 TO DECEMBER 31, 2012**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**



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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Board of Township Supervisors  
Richmond Township  
Berks County  
Fleetwood, PA 19522

We have conducted a compliance audit of the Richmond Township Non-Uniformed Pension Plan for the period January 1, 2010 to December 31, 2012. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding 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 findings contained in our prior audit 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. Our methodology addressed determinations about the following:

- Whether state aid was properly determined and deposited in accordance with Act 205 requirements. State aid allocations that were deposited into the pension plan for the years ended December 31, 2007 to December 31, 2012 are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether employer contributions are determined and deposited in accordance with the plan's governing document and applicable laws and regulations. Employer contributions that were deposited into the pension plan for the years ended December 31, 2007 to December 31, 2012 are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether employee contributions are required and, if so, are determined, deducted and deposited into the pension plan and are in accordance with the plan provisions and applicable laws and regulations.
- Whether benefit payments, if any, represent payments to all (and only) those entitled to receive them and are properly determined in accordance with applicable laws and regulations.
- Whether obligations for plan benefits are accurately determined in accordance with plan provisions and based on complete and accurate participant data; and whether actuarial valuation reports are prepared and submitted to the Public Employee Retirement Commission (PERC) in accordance with state law and 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.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Richmond Township Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the township's internal controls as they relate to the township's compliance with those requirements and that we considered to be significant within the context of our audit objectives, and assessed whether those significant controls were properly designed and implemented. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials 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 tests indicated that, in all significant respects, the Richmond Township 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 – Partial Compliance With Prior Audit Recommendation - Failure  
To Properly Fund Member's Account.

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



EUGENE A. DEPASQUALE  
Auditor General

November 14, 2013

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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. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited.

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 Richmond Township Non-Uniformed Pension Plan is also governed by implementing regulations adopted by the Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Richmond Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 12-2008, as amended. Active members are not required to contribute to the plan. The municipality is required to contribute 15 percent of each participant's compensation. As of December 31, 2012, the plan had 2 active members and 1 terminated member eligible for vested benefits in the future.

RICHMOND TOWNSHIP NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

Richmond Township has complied with the prior audit recommendations concerning the following:

- Failure To Timely File Actuarial Valuation Report

The township filed the plan's January 1, 2011, actuarial valuation report timely in accordance with Act 205 requirements.

- Unauthorized Withdrawal Of Funds

During the current audit period, no distributions were made to active plan participants.

Partial Compliance With Prior Audit Recommendation

Richmond Township has partially complied with the prior audit recommendation concerning the following:

- Failure To Properly Fund Members' Accounts

During the current audit period, the township deposited the contributions due to the members' accounts for the years 2007 and 2008, with interest; however, plan officials again failed to properly fund 1 member's account in the years 2010 and 2011 as further discussed in the Finding and Recommendation section of this report.

RICHMOND TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding - Partial Compliance With Prior Audit Recommendation - Failure To Properly Fund Member's Account**

Condition: As disclosed in the prior audit report, the township did not fully fund the accounts of 2 members in 2007 and 2008. During the current audit period, the township deposited the contributions due to the members' accounts for the years 2007 and 2008, with interest; however, plan officials again failed to fully fund the account of 1 member in the years 2010 and 2011 in the amounts of \$47 and \$1,265, respectively, as illustrated below:

<u>Year</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
2010	\$ 2,967	\$ 2,920	\$ 47
2011	\$ 4,966	\$ 3,701	\$ 1,265

Criteria: The employer contribution rate was established at 15 percent of pay.

Cause: Plan officials failed to establish adequate internal control procedures to ensure that the member's account was properly funded in accordance with the provisions contained in the plan's governing document.

Effect: The failure to properly fund member accounts could result in plan members being denied benefits to which they are entitled in accordance with the plan's governing document.

Furthermore, due to the township's failure to properly fund the member's account, the township must now pay interest on the delinquent contributions.

Recommendation: We recommend that the township deposit the contributions due to the member's account for the years 2010 and 2011, with interest. A copy of the interest calculations should be maintained by the township for examination during our next audit of the plan.

We also recommend that plan officials establish adequate internal control procedures to ensure that member accounts are properly funded in the future.

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

RICHMOND TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2007	\$ 6,413	\$ 1,235
2008	None	10,229
2009	None	10,404
2010	6,466	5,402
2011	11,915	None
2012	7,152	4,200

RICHMOND TOWNSHIP NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

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11 Kehl Drive  
Fleetwood, PA 19522

Mr. Ronald Kutz                      Chairman, Board of Township Supervisors

Ms. Sharon Harrison              Township Secretary

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).