

COMPLIANCE AUDIT

Lower Gwynedd Township Non-Uniformed Money Purchase Pension Plan Montgomery County, Pennsylvania

October 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Board of Township Supervisors
Lower Gwynedd Township
Montgomery County
Spring House, PA 19477

We have conducted a compliance audit of the Lower Gwynedd Township Non-Uniformed Money Purchase 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 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 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:

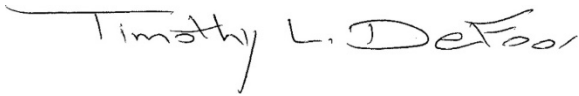
- For the period January 1, 2023 to December 31, 2024, we determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt.
- For the period January 1, 2020 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 that there were no employee contributions required by the plan's governing document and applicable laws and regulations.
- For the period January 1, 2023 to December 31, 2024, we determined whether retirement benefits calculated for the plan member 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 individual and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipient.
- 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.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Lower Gwynedd Township Non-Uniformed Money Purchase 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 Lower Gwynedd Township Non-Uniformed Money Purchase 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 finding further discussed later in this report:

Finding – Failure To Properly Fund Member Accounts

The contents of this report were discussed with officials of Lower Gwynedd Township 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, flowing style.

Timothy L. DeFoor
Auditor General
September 16, 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 Lower Gwynedd Township Non-Uniformed Money Purchase 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 Lower Gwynedd Township Non-Uniformed Money Purchase Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 2014-08, as amended, executed February 25, 2014, and a separately executed plan agreement for its non-uniformed employees hired on or after January 1, 2014. The plan was established January 1, 1989. Active members are not required to contribute to the plan. The municipality is required to contribute 4 percent of base salary after 6 months, 6 percent of base salary after 3 years, 8 percent of base salary after 6 years and 10 percent of base salary after 10 years. As of December 1, 2024, the plan had 16 active members.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED
MONEY PURCHASE PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Recommendation

Lower Gwynedd Township has complied with the prior recommendation concerning the following:

- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

During the period subject to audit, municipal officials complied with the instructions that accompany Certification Form AG 385 and accurately reported the required pension data.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED
MONEY PURCHASE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Failure To Properly Fund Member Accounts

Condition: The township did not properly fund the accounts of 2 members in 2021, 5 members in 2022, 3 members in 2023, and 13 members in 2024, as illustrated below:

2021:

<u>Employee Hire Date</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions In Excess/(Due)</u>
8/10/2020	\$ 3,785	\$ 3,616	\$ (169)
4/09/2018	\$ 2,578	\$ 1,883	<u>(696)</u>
Total			<u><u>\$ (865)</u></u>

2022:

<u>Employee Hire Date</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions In Excess/(Due)</u>
4/02/2024	\$ 2,503	\$ 2,260	\$ (243)
1/10/2022	\$ 858	\$ 826	(32)
3/04/2019	\$ 1,431	\$ 1,155	(276)
4/09/2018	\$ 1,567	\$ 1,468	(99)
8/22/2019	\$ 4,512	\$ 4,438	<u>(74)</u>
Total			<u><u>\$ (724)</u></u>

2023:

<u>Employee Hire Date</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions In Excess/(Due)</u>
2/06/2017	\$ 5,801	\$ 5,973	\$ 172
10/24/2022	\$ 1,509	\$ 1,455	(54)
3/04/2019	\$ 1,509	\$ 1,455	<u>64</u>
Total			<u><u>\$ 182</u></u>

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED
MONEY PURCHASE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

2024:

Employee Hire Date	Required Contributions	Actual Contributions	Contributions In Excess/(Due)
8/10/2020	\$ 7,611	\$ 9,174	\$ 1,563
9/01/2000	\$ 8,981	\$ 9,381	400
4/02/2024	\$ 2,528	\$ 2,700	172
2/06/2017	\$ 7,287	\$ 8,460	1,174
5/09/2016	\$ 10,685	\$ 11,842	1,157
12/13/2021	\$ 2,499	\$ 3,194	695
4/03/2023	\$ 5,612	\$ 5,756	144
10/24/2022	\$ 2,776	\$ 3,061	285
1/10/2022	\$ 3,611	\$ 4,375	765
2/21/2023	\$ 3,556	\$ 4,076	520
5/05/2014	\$ 6,031	\$ 6,439	408
9/05/2023	\$ 1,680	\$ 1,734	54
9/05/2023	\$ 1,820	\$ 1,907	86
Total			<u>\$ 7,423</u>

Criteria: The plan's adoption agreement, adopted by Resolution No. 2014-08 and amended by Resolution No. 2024-25, established the tiered municipal contribution percentage, based on set periods of service, of all W-2 earnings which are actually paid to the participant during the plan year, excluding overtime and bonuses. The required period of service for participation in the plan is six months.

Cause: Plan officials failed to establish adequate internal control procedures to ensure that only eligible earnings were contributed on and the proper contribution rates for each member were utilized in accordance with the provisions contained in the plan's governing documents.

Effect: The failure to properly allocate contributions to the members' accounts has resulted in certain plan members receiving benefits in excess of those to which they are entitled and other members being denied benefits to which they are entitled in accordance with the plan's governing document.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED
MONEY PURCHASE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the township review the applicable members' accounts and make the adjustments deemed necessary to ensure they are funded in accordance with the provisions contained in the plan's governing document.

We also recommend that plan officials implement adequate internal control procedures to ensure that the members' accounts are properly funded in accordance with the provisions contained in the plan's governing document.

Management's Response: Municipal officials provided the following response:

All member accounts were funded with the full amount owed. There was timing differences for the contributions made in the years 2020 through 2023. A new process has corrected the problem, and all accounts have been fully funded.

The issue was that prior staff input the defined contribution amounts by participant as dollar values instead of percentages. Therefore, when a participant's contribution was set to increase due to a raise or a contribution rate increase tied to years of service, it was not always changed on time. However, when the increase was corrected, all contributions due to the participants were made in the correct amounts, making them whole. As of 2024, the Township began using an upgraded Paychex platform for payroll and since then, all participant contributions have been based on percentages tied to pension wages and the plan schedule. This system allows for timely and accurate changes in the amount of the defined contributions when an employee's pay or rate level changes. Also, the future percentage rate changes per the plan schedule are pre-programmed into Paychex so the percentage change occurs on time moving forward.

Auditor's Conclusion: The township provided no documentation to support the claims made in the Management Response. Supplemental action taken by the township along with compliance in subsequent periods will be evaluated during our next audit of the plan.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED
 MONEY PURCHASE PENSION PLAN
 SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS
 (UNAUDITED)

Year Ended December 31	State Aid	Employer Contributions
2019	\$ None	\$ 18,671
2020	None	34,635
2021	None	38,582
2022	None	38,684
2023	None	46,720
2024	None	82,829

Note: In 2019, the township met the plan's \$24,378 funding requirement through the deposit of \$18,671 in employer contributions and the allocation of \$5,707 in terminated employee forfeitures.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED
MONEY PURCHASE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Ms. Danielle A. Duckett
Chairperson, Board of Township Supervisors

Mr. Michael Twersky
Vice-Chairman, Board of Township Supervisors

Mr. Jimmy Chong
Township Supervisor

Ms. Tessie McNeely
Township Supervisor

Ms. Janine Martin
Township Supervisor

Ms. Mimi Gleason
Township Manager

Ms. Melinda Haldeman
Finance Director

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