

# COMPLIANCE AUDIT

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## Springfield Township Non-Uniformed Defined Contribution Pension Plan Bucks County, Pennsylvania

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July 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  
Springfield Township  
Bucks County  
Quakertown, PA 18951

We have conducted a compliance audit of the Springfield Township Non-Uniformed Defined Contribution 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings 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, 2022 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 that there were no benefit calculations prepared.
- 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.
- For the period January 1, 2023 to December 31, 2024, we determined whether transfers were properly authorized, timely, and appropriately recorded by plan officials by examining supporting documentation for all of the transfers made during the period noted.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Springfield Township Non-Uniformed Defined Contribution 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.

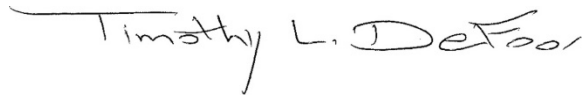
The results of our procedures indicated that, in all significant respects, the Springfield Township Non-Uniformed Defined Contribution Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above, except as noted in the following findings further discussed later in this report:

Finding No. 1 – Unauthorized Funding Mechanism

Finding No. 2 – Awarding of Professional Service Contract Inconsistent With Provisions of Act 205

Finding No. 3 – Failure To Properly Fund Member Accounts

The contents of this report were discussed with officials of Springfield 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.

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  
May 29, 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 Springfield Township Non-Uniformed Defined Contribution 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 Springfield Township Non-Uniformed Defined Contribution Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 2014-17 for full-time non-uniformed employees hired on or after March 1, 2014. Non-uniformed employees hired before March 1, 2014 are members of the township's defined benefit non-uniformed pension plan (*separately audited*). The plan was established March 1, 2014. Active members are not required to contribute to the plan. The municipality is required to contribute five percent of compensation. As of December 31, 2024, the plan had five active members and one terminated member eligible for vested benefits in the future.

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Recommendation

Springfield Township has complied with the prior recommendation concerning the following:

- Incorrect Data on Certification Form AG 385 Resulting In A Net Underpayment Of State Aid

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

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Unauthorized Funding Mechanism**

Condition: During the period subject to audit, the municipality improperly funded individual deferred compensation plan accounts to provide benefits to members of the non-uniformed defined contribution pension plan at retirement. These types of investments are not eligible for funding provided through the state aid program.

Criteria: Section 102 of Act 205 defines a pension plan as follows:

The various aspects of the relationship between a municipality and its employees with respect to the retirement coverage provided by a municipality to the employees.

Section 201.2 of Part IV of Title 16 of the Pennsylvania Code further elaborates on the definition included in Act 205, stating:

The term does not include a plan, program, or arrangement that is funded solely by municipal employee earnings or compensation reported as municipal employee earnings or compensation to the Internal Revenue Service on the Form W-2 Wage and Tax Statement or established under sections 8.1-8.3 of the act of March 30, 1811 (P.L. 145 Sm.L. 228) (72 P.S. 4521.1-4521.3) or Section 408 of the Internal Revenue Code (26 U.S.C.A. 408).

Consequently, the former Public Employee Retirement Commission (now the Municipal Pension Reporting Program) determined that IRS Section 457 Deferred Compensation plans are not eligible to participate in the state aid program.

Cause: Municipal officials were not aware that deferred compensation plans were not eligible funding vehicles for pension plans participating in the general municipal pension system state aid program.

Effect: Since the funding mechanism does not meet the definition of a pension plan as prescribed above, it is not eligible for participation in the state aid program. In addition, since the individual employees rather than the municipality own these types of contracts, the municipality cannot ensure the integrity of these pension assets, and the related benefits funded through state aid allocations from surrender by members prior to reaching retirement.



SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Furthermore, the township certified the deferred compensation plan participants on the Certification Forms AG 385 filed in 2022, 2023, and 2024 even though participation in the ineligible plan rendered the participants ineligible for certification. As a result, the township received state aid totaling \$81,319 in 2022 through 2024 attributable to the certification of these employees. Although no state aid was deposited into the deferred compensation accounts, the state aid was deposited into the township's police pension plan towards that plan's required contributions.

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

Recommendation: We recommend that municipal officials either transfer plan assets to an eligible funding mechanism or return all state aid to the Commonwealth that the township received in 2022, 2023, and 2024 attributable to the certification of the deferred compensation plan participants, totaling \$81,319. In the latter case, a check in this amount, with interest at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania, and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check. Further, municipal officials should exclude members belonging to the ineligible plan from future Certification Forms AG 385 submitted to the department.

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

Auditor's Conclusion: Due to the potential withhold of state aid, the township's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the plan.

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
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**Finding No. 2 – Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 205**

Condition: In 2022, the township changed custodians and advisory service contractors for its non-uniformed defined contribution pension plan. However, there was no evidence provided to support that the change in custodian was conducted and awarded in accordance with provisions of Act 205 and the township’s own procedures.

Criteria: Section 701-A of Act 205 defines a “Professional Services Contract” as follows:

“Professional services contract.” A contract to which the municipal pension system is a party that is:

- (1) for the purchase or provision of professional services, including investment services, legal services, real estate services and other consulting services; and
- (2) not subject to a requirement that the lowest bid be accepted.

In addition, Section 702-A (a) of Act 205 states, in part:

Each municipal pension system ... shall develop procedures to select the most qualified person to enter into a professional services contract. The procedures shall ensure that the availability of a professional services contract is advertised to potential participants in a timely and efficient manner. Procedures shall include applications and disclosure forms to be used to submit a proposal for review and to receive the award of a professional services contract.

Additionally, Section 702-A (c), (e), (f), and (h) state, in part:

**Review.** Procedures to select the most qualified person shall include a review of the person’s qualifications, experience and expertise and the compensation to be charged.

**Conflict of interest.** The municipal pension system shall adopt policies relating to potential conflicts of interest in the review of a proposal or the negotiation of a contract.

**Public information.** Following the award of a professional services contract, all applications and disclosure forms shall be public except for proprietary information or other information protected by law.

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
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FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

**Notice and summary.** The relevant factors that resulted in the award of the professional services contract must be summarized in a written statement to be included in or attached to the documents awarding the contract. Within ten days of the award of the professional services contract, the original application, a summary of the basis for the award and all required disclosure forms must be transmitted to all unsuccessful applications and posted on the municipal pension system's Internet website, if an Internet website is maintained, at least seven days prior to the execution of the professional services contract.

Section 703-A (c) states, in part:

Upon the advertisement for a professional services contract by the municipal pension system, the contractor may not cause or agree to allow a third party to communicate with officials or employees of the municipal pension system except for requests for technical clarification.

Furthermore, the township enacted its procedures for compliance with the professional services contract provisions of Act 44 of 2009 on July 1, 2020.

Cause: Municipal officials failed to properly follow and document adherence with each requirement prescribed under the provisions of Act 205 and its own procurement procedures in the awarding of the professional services contract for the investment and advisory services for the borough's pension plans.

Effect: We were unable to determine whether the township complied in all respects with the provisions stipulated in Act 205 and its own governing policies and procedures for the procuring of professional investment and advisory services for the township's non-uniformed defined contribution pension plan. Also, by failing to maintain appropriate substantive supporting documentation evidencing adherence with Act 205 and the township's procedures for the professional services contract, a general lack of transparency exists.

Recommendation: We recommend the township follow procedures developed and implemented by the township for the procurement of professional services for the township's pension plans and ensure compliance with Act 205 provisions while maintaining appropriate and sufficient supporting documentation. This documentation should evidence every phase of the process in accordance with Act 205 and the township's policies and procedures in the awarding of future professional services contracts for the township's pension plans.

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

In addition, since we were unable to conclude whether the township complied in all respects with the provisions stipulated in Act 205 and its own governing policies and procedures relative to the procurement of the investment and advisory services for the non-uniformed defined contribution pension plan, we recommend that township officials collectively review the process and familiarize themselves with the procedures enacted by the township while closely examining and identifying ways to improve the process as a whole.

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

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

**Finding No. 3 – Failure To Properly and Timely Fund Member Accounts**

Condition: In 2022, the township did not timely fund six plan members' accounts by the December 31 deadline, as required by Act 205. The township deposited the outstanding employer contributions in the amount of \$11,158 on July 17, 2024, however, plan officials failed to pay the interest due on the untimely deposits.

In addition, the township did not properly fund the accounts of five members in 2023 as illustrated below:

<u>2023 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions In Excess/(Due)</u>
1	\$ 2,750	\$ 2,933	\$ (183)
2	2,282	1,829	453
3	5,060	5,414	(354)
4	1,253	1,302	(49)
5	2,642	2,915	(273)
	Total		<u>\$ (406)</u>

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Criteria: Section 303(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 ...

In addition, Section 8.1 of the plan's governing document, as adopted by Resolution No. 2014-17, states:

The Employer shall make contributions on behalf of each Participant eligible to share in the allocations in the amount of 5 percent of annual compensation. Only Participants who have completed 500 hours of Service during the Plan year shall be eligible to share in the allocation of Contributions for the Plan Year.

Cause: Plan officials failed to establish adequate internal control procedures to ensure that eligible plan members' accounts were properly funded in accordance with the provisions contained in the plan's governing documents.

Effect: The failure to properly and timely fund the members' 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 and timely fund the accounts of the six plan members, the township must now pay interest on the delinquent contributions.

Recommendation: We recommend that the township pay the interest due on the untimely deposits to the six plan members' accounts for the year 2022, in accordance with Act 205. A copy of the interest calculations should be maintained by the township for examination during our next audit of the plan.

In addition, 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.

Lastly, we recommend that, in the future, township officials determine the amounts due and timely fund the accounts of all eligible plan members.

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

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

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

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
POTENTIAL WITHHOLD OF STATE AID

Finding No. 1 contained in this audit report cites a potential overpayment of state aid to the township in the amount of \$81,319, plus interest, due to an unauthorized funding mechanism. A condition of this nature may lead to a total withholding of state aid in the future unless that finding is corrected. A check in this amount with interest, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania, and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS  
(UNAUDITED)

Year Ended December 31	State Aid	Employer Contributions
2019	None	\$ 7,023
2020	None	6,326
2021	None	8,851
2022	None	11,113
2023	None	15,004
2024	None	16,555



SPRINGFIELD TOWNSHIP NON-UNIFORMED DEFINED CONTRIBUTION  
PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

**Mr. Raymond Kade**  
Chairperson, Board of Township Supervisors

**Mr. Rich Pursell**  
Township Manager

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).