

# COMPLIANCE AUDIT

---

## Upper Leacock Township Non-Uniformed Employees Pension Plan Lancaster County, Pennsylvania

---

July 2025



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Board of Township Supervisors  
Upper Leacock Township  
Lancaster County  
Leola, PA 17540

We have conducted a compliance audit of the Upper Leacock Township Non-Uniformed Employees 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. State aid allocations 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 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 members who separated employment and received a lump-sum distribution 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 individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.
- 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.

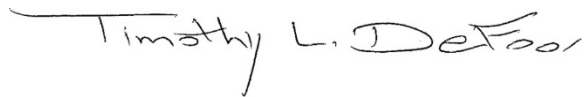
Upper Leacock Township contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are available at the township's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Upper Leacock Township Non-Uniformed Employees 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 Upper Leacock Township Non-Uniformed Employees 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 – Awarding Of Professional Services Contract Inconsistent With  
Provisions Of Act 205

The contents of this report were discussed with officials of Upper Leacock 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  
June 13, 2025

## CONTENTS

	<u>Page</u>
Background .....	1
Status of Prior Finding .....	2
Finding and Recommendation	
Finding – Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 205 .....	3
Summary of Deposited State Aid and Employer Contributions .....	6
Report Distribution List .....	7

## **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 Upper Leacock Township Non-Uniformed Employees 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 Upper Leacock Township Non-Uniformed Employees Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 2015-11, as amended, and a separately executed plan agreement with the plan's custodian effective January 1, 2016. The plan is also affected by the provisions of collective bargaining agreements between the township and its non-uniformed employees. The plan was established February 15, 1978. Active members are not required to contribute to the plan. The municipality is required to contribute 10 percent of compensation. As of December 31, 2024, the plan had 18 active members and 3 terminated members eligible for vested benefits in the future.

UPPER LEACOCK TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Recommendation

Upper Leacock Township has complied with the prior recommendation concerning the following:

- Receipt Of State Aid In Excess Of Entitlement And Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

On June 10, 2020, the township returned the excess state aid of \$3,810, plus interest, to the Commonwealth. On March 19, 2025, the township returned the excess employer contributions of \$30,404 to its general fund.

UPPER LEACOCK TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 205**

Condition: In 2023, the township changed its pension consulting service provider for its non-uniformed pension plan. However, there was no evidence provided to support that the change in service provider was conducted and awarded in accordance with provisions of Act 205 and the plan document.

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.



UPPER LEACOCK TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (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, Resolution 13-07, enacted by the township on April 18, 2013, established procedures for the procurement of professional services for the municipal pension system in accordance with Act 205 provisions.

**Cause:** The township indicated that under the former pension consultant, the township's 2022 state aid was withheld by the department because the pension plan's January 1, 2021 actuarial valuation report was not submitted to the Municipal Pension Reporting Program (MPRP) by the March 31, 2022 deadline, as required by Act 205. The report was not filed with MPRP until February 21, 2023. Additionally, the former pension consultant failed to compute the necessary data for the township's pension account which prevented the township from fully complying with our prior audit recommendation until March of 2025.

To address its concerns, the township advertised for pension consulting services and noted that only one company submitted a proposal during the advertisement period. Consequently, the township changed its pension consultant firm without extending the advertisement period or soliciting resident input before finalizing the contract.

Furthermore, plan officials did not establish adequate procedures to properly follow and document adherence to Act 205 provisions and the township's own procurement procedures in awarding the professional services contract related to pension consulting services.

UPPER LEACOCK TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

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 pension consulting services for the township's non-uniformed 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 in Resolution No. 13-07 for the procurement of professional services for the township's pension plan 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 plan.

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 advisory services for the non-uniformed 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 Response: Municipal officials agreed with the finding without exception.

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

UPPER LEACOCK TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS  
(UNAUDITED)

Year Ended December 31	State Aid	Employer Contributions
2019	\$ 66,566	\$ 24,602
2020	68,934	32,693
2021	67,162	31,315
2022	78,695	28,707
2023	99,074	17,580
2024	106,956	12,825

UPPER LEACOCK TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Ronald S. Simmons**  
Chairman, Board of Township Supervisors

**Mr. J. Harold Leaman**  
Vice-Chairman, Board of Township Supervisors

**Mr. Michael Morris**  
Township Manager

**Ms. Yulianne Hoffman**  
Office 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).