FRANKLIN REGIONAL RETIREMENT SYSTEM

Management Letter

For the Year Ended December 31, 2011

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To the Retirement Board
Franklin Regional Retirement System

In planning and performing our audit of the financial statements of the Franklin Regional Retirement System as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Franklin Regional Retirement System's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. In addition, because of the inherent limitation in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Additional Offices:
Andover, MA • Manchester, NH • Nashua, NH • Ellsworth, ME

During our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

This communication is intended solely for the information and use of management, the Retirement Board, and others within the System, and is not intended to be and should not be used by anyone other than these specified parties.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

Melanson Heath + Company P.C.

Greenfield, Massachusetts
October 1, 2012

CURRENT YEAR ISSUE:

None

PRIOR YEAR ISSUES:

1. CORRECTLY CALCULATE EMPLOYEE DEDUCTIONS

   Similar to the prior year, our testing of 25 employee contributions found that deductions for two employees were incorrectly calculated. Specifically:

   - Longevity was not included in the payroll wages subject to retirement for one employee, resulting in under calculating retirement contribution by ($ 8).
   - Overtime of $ 288 was incorrectly included as part of eligible pay for one employee, resulting in over calculating retirement contribution by $ 26.

   The System relies on its 39 member units to calculate deduction amounts. The level of understanding of the rules and regulations governing retirement deductions varies among the member units. Both of these factors complicate the System's ability to ensure deductions are calculated correctly. We understand that to address this issue the System is working to improve training and education of its member unit treasurers and to standardize the payroll reports submitted to the System by the member units. In addition, we commend the System for reviewing payroll information throughout the year and making corrections as needed. We recommend these initiatives continue.

2. APPROVE INVOICES BEFORE PAYMENT

   During testing of 25 vendor invoices, we found three instances of inadequate approval.

   - In two cases, invoices did not have the Executive Director's approval noted.
   - In one case a reimbursement to the Executive Director was not approved by a board member.

   In all cases the warrant was properly approved by the Retirement Board; however, we recommend that all invoices be properly approved before payment.