

**FRANKLIN REGIONAL
RETIREMENT SYSTEM**

Management Letter

For the Year Ended December 31, 2014

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

To the Retirement Board
Franklin Regional Retirement System

In planning and performing our audit of the basic financial statements of the Franklin Regional Retirement System as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the System's internal 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 over financial reporting.

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 a 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 material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

The System's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Melanson Heath

September 30, 2015

CURRENT YEAR ISSUES:

1. **ENSURE PROBABLE LIABILITIES ARE RECORDED**

During our review of payments made after year end, we found a large payment to the Massachusetts State Retirement Board for 3 (8) (c) reimbursements. After further inquiry it was determined that the System owed the Massachusetts State Retirement Board approximately \$1.4 million in 3 (8) (c) reimbursements for prior years. While the precise total amount owed is being negotiated and verified by the System, management does acknowledge that the amount invoiced by the State is essentially correct and that they were aware of this liability.

In January 2015, the System made a good faith payment of approximately \$500,000 against this liability and when it was brought to the attention of management during the audit, the entire remaining liability was correctly recorded in the System's general ledger.

We recommend the System ensure that any probable liability be appropriately and promptly recorded in the general ledger in accordance with generally accepted accounting principles.

System's Response:

The System agrees and will record the requisite journal entry.

PRIOR YEAR ISSUES:

All prior year issues were satisfactorily resolved.