

FRANKLIN REGIONAL RETIREMENT SYSTEM

MANAGEMENT LETTER

DECEMBER 31, 2019



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To the Honorable Franklin Regional Retirement Board
Franklin Regional Retirement System
Greenfield, Massachusetts

In planning and performing our audit of the financial statements of the Franklin Regional Retirement System (System), as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Franklin Regional Retirement System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, during our audit we became aware of matters that represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

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

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various System personnel and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Powers & Sullivan LLC

August 12, 2020

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Comments and Recommendations

Complete Member Unit Payroll Reports

Comment

The System receives detailed payroll deduction reports from all except for six of the member units. These six member units do not provide full salary detail to include non-members. This limits the System's ability to fully audit membership compliance, since they do not have a listing of employees who are considered non-members. The System is therefore unable to confirm that all eligible employees of those member units are enrolled and properly contributing to the System.

The System uses covered payroll, from the member unit payroll deduction reports, to allocate the annual appropriation to member units. Errors with employee enrollment, and therefore contributions, could impact the future allocation by member unit.

Recommendation

We recommend the System require all member units provide complete, detailed payroll reports each time member deductions are remitted to the System. The System will then be able to ensure all eligible members of the System are enrolled and contributing.

Management's Response

Management greatly appreciates the auditor's supportive comments in this endeavor. Although it is unlikely that any other retirement system in Massachusetts matches the detailed efforts of this system, it would be better if all our units could participate. The lack comes from outright refusal, or lack of time, or dearth of experience – all of which likely could be overcome with more time and attention from senior management from this office. For now, the burden of COVID-19's presence usurps efforts to solve the above lack.

Monitoring the Correction of Errors in Payroll Withholdings

Comment

The System audits the payroll deduction reports received from member units each pay period using an Access database program created by the System. During the payroll deduction audit process, the System may discover that a member unit has made errors in the amounts withheld from employees for pension deductions. The identified errors can be seen in the Access database and are discussed with the appropriate member unit to ensure the error is corrected in future payrolls.

The Access database lists several old errors which have not been marked as resolved. Many of these errors have been corrected and the database has not been updated. As a result, an accurate listing of unresolved withholding issues is not currently being maintained. This provides opportunity to unresolved issues to continue into future pay periods.

Recommendation

We recommend the System implement a process which will track all outstanding withholding issues, and properly document, within the Access database, when they are resolved. Doing so will ensure the System is monitoring withholding errors that have not yet been corrected and can follow-up with the member units as necessary.

Management's Response

Management agrees. This issue is a result of management loading staff up with unprecedented comprehensive reviews of payroll records versus deductions received and requiring them to move on after resolution and not take the time to circle back and check the "resolved" box. It should be noted that this Access database tests every deduction record and reports a variance. It was not done in the past, it was done manually and took a lot longer. The time saved with this database has made it possible for the same amount of staff to add to their duties the auditing of "detailed payroll". Management will endeavor to rectify the situation.