

**TOWN OF FRANKLIN, MASSACHUSETTS**

**Management Letter**

**For the Year Ended June 30, 2014**

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**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

To the Town Council  
Town of Franklin, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Franklin, Massachusetts as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 a matter that we believe represents an opportunity for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning that matter.

The Town's written response to our comment and suggestions has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

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

*Melanson Heath*

March 11, 2015

## **STATUS OF PRIOR YEAR RECOMMENDATION:**

### **1. Develop a More Formal Risk Assessment Process**

#### Prior Year Issue:

In the prior year, we recommended the Town implement a more formal risk assessment process.

#### Current Year Status:

In fiscal year 2014, the Comptroller and Treasurer/Collector continued the process of performing internal audits and working to develop a formal Risk Assessment and Control Activities worksheet to analyze departmental-level and Town-wide risks.

#### Further Action Needed:

We recommend the Comptroller and Treasurer/Collector continue working towards developing a risk assessment matrix that can be used by all managers to assess the risk factors within their departments and identify controls that have been implemented to mitigate these risks.

We also recommend the Town expand its risk assessment process to include a formal assessment of the risks associated with the Town's increasing use of information technology, particularly in the area of electronic banking. This assessment should include written documentation of policies and procedures the Town has established to protect the Town's assets and address cyber risk.

#### Town's Response:

The Comptroller and Treasurer/Collector agree that the Risk Assessment process is an invaluable tool to insure that proper Internal Controls are in place. This is a very large, multi-year project. We will continue to work towards completing this process. Several internal audits were done in FY14 and FY15. We will meet with Technology to discuss internal controls as they relate to banking and other areas.