

Additional Offices:

Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

To the Board of Commissioners  
County of Carroll, New Hampshire

In planning and performing our audit of the basic financial statements of the County of Carroll, New Hampshire (the County) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Carroll, New Hampshire's internal control over financial reporting.

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 significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 over financial reporting, 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

Improve Controls over Payroll Disbursements

During the 2017 audit, controls over payroll disbursements were tested and several areas where controls could be improved were noted. Specifically, there were instances where timesheets were not approved by an authorized individual or not completed, rate agreements that were not approved by an authorized individual, and detailed payroll reports that were not reviewed for accuracy by someone not involved in payroll processing prior to disbursement. Although the County has been working to improve controls over disbursements (by reviewing employee files for Department of Labor compliance and contracting with a third-party payroll service provider), additional improvements to address the issues noted should be implemented in order to reduce risk.

Management Response

Payroll controls will be improved upon by having the County Treasurer review the payroll manifest when payroll is processed. Department heads are sent a report of their employees for approval prior to payroll processing. All pay rate wage sheets have been approved by authorized individuals and placed in employee files. The County Administrator will review all new pay rate agreements prior to processing.

None of the identified significant deficiencies are considered to be material weaknesses.

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

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

*Melanson Heath*

October 19, 2018