

January 29, 2014

To the Board of Selectmen
Town of Warner, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Warner, New Hampshire for the year ended December 31, 2012, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. We previously reported on the Town's internal control structure in our report dated January 29, 2014. This letter does not affect that report or our report on the basic financial statements dated January 29, 2014.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform additional study of the matters, or to assist you in implementing the recommendations.

The purpose of this letter is to provide constructive and meaningful recommendations to you.

Sincerely,


Vachon Clukay & Company PC

TOWN CLERK REPORTING

Observation

We noted that the daily activity within the Town Clerk's office is being posted to the ClerkWorks system on a monthly basis. Per inquiry, this is done to allow for daily transaction reports to be reprinted or edited, which cannot be done once the transactions are posted. We further noted that Town Clerk collections of approximately \$30,400 had not been posted to the separate software program maintained within that department resulting in a difference with the annual recognized revenue in the Town's accounting software.

Implication

Controls over cash and the financial activities of the Town Clerk's office are weakened. The internal control features within the ClerkWorks software are being disregarded by the Town Clerk's office.

Recommendation

We urge the Town Clerk to use the ClerkWorks software as designed and post all activity on a daily basis. These daily "end of day" activity reports should be provided to the finance department and will provide support for the daily deposits. This will ensure that all licenses and permits being processed through the ClerkWorks software are also being properly recognized in the Town's general ledger.

JOURNAL ENTRIES

Observation

We noted the Town's current journal entry posting process does not have any formal review. Journal entries are prepared and posted by the Town's bookkeeper without any review or approval process by management.

Implication

Without adequate oversight over the journal entry process, the controls over the financial activities of the Town are weakened. Although monthly reports are provided to the Town Administrator and Board of Selectmen for review, the effect of an individual journal entry may not be readily apparent.

Recommendation

We recommend the Town implement a journal entry policy that requires the approval of management on a periodic basis. At a minimum, we recommend that all journal entries which affect the cash balance be reviewed for propriety and authorized indicating approval of the entry.

REDEMPTION NOTIFICATION

Observation

We noted that the tax collector's office did not notify the register of deeds of tax redemptions within the proper time frame required by State law.

Implication

The Town is not in compliance with State law. Per RSA 80:33, the tax collector is to notify the register of deeds of any tax redemptions within thirty days of the redemption of tax liens. The failure to notify the register of deeds in a timely manner could create future problems should the property ownership be transferred.

Recommendation

We recommend that the tax collector's office promptly forward tax lien release notices to the register of deeds to comply with State law.

UNINSURED DEPOSITS

Observation

The collateralization of Town funds provided to us during the 2012 audit is insufficient to secure the Town's deposits as of December 31, 2012. As a result, the Town is exposed to custodial credit risk at year end of approximately \$895,000.

Implication

The Town is not in compliance with its investment policy which states that all funds in excess of the applicable Federal Deposit Insurance limits are to be secured by collateral.

Recommendation

We recommend that the Town require its financial institution to regularly provide a statement indicating the collateralized securities held on its behalf. This would enable the Town to review the amount of collateral that is held and access whether the amount is sufficient.