

March 6, 2026

To the Board of Selectmen  
**Town of Warner, New Hampshire**

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Warner, New Hampshire for the year ended December 31, 2024, we considered the Town's system of internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the Town's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. A separate report dated March 6, 2026, contains our report on internal control. We previously reported on the Town's internal control in our report dated March 6, 2026. This letter does not affect that report or our report on the financial statements dated March 6, 2026.

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 an 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*

## ESTIMATED REVENUES

### *Observation*

The Town has a general ledger accounting system, which is capable of producing variance reports for both expenditures and revenues with the adopted budgets. However, the budgetary information entered for the estimated revenues was not reconciled to the revised estimated revenue form (MS-434R), which is submitted to the Department of Revenue Administration prior to the setting of the tax rate.

### *Implication*

The Town's system of budgetary control may be weakened due to not recording updated revenue budgetary data.

### *Recommendation*

We recommend that the estimated revenue figures used to set the tax rate should be reflected in the general ledger. We further recommend that monthly variance reports between the actual and estimated revenues should be reviewed and given to department heads for their review.

### *Response*

The Town agrees to update the general ledger system with the revised revenues from Form MS-434R starting in 2026.

## CREDIT CARDS

### *Observation*

In performing our audit of the Town's financial statements, we inquired and tested controls over the Town's use of credit cards. We noted one instance where the charge was used to purchase gift cards for employees. Additionally, we noted purchases that were shipped to non-Town owned properties.

### *Implication*

Internal control over credit card transactions is weakened. The Town may be violating compensation laws by paying employees with gift cards and failing to tax that compensation. Furthermore, using Town funds to purchase and ship goods to personal addresses increases the risk of misappropriation.

### *Recommendation*

We recommend that all employee compensation be processed through payroll to avoid any penalties due to failure to properly report taxable income. Additionally, we recommend that the shipment of goods be delivered to Town properties only.

### *Response*

The Town will avoid untaxed gift cards and restrict shipment of goods only to Town properties.