

September 22, 2015

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, 2014, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing our opinions 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 September 22, 2015. This letter does not affect that report or our report on the basic financial statements dated September 22, 2015.

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 matter, or to assist you in implementing the recommendation.

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

Sincerely,



Vachon Clukay & Company PC

TOWN CLERK ACTIVITY

Observation

Per inquiry of the Town Clerk, the daily activity entered in the Interware software is only posted once a week. This delay in the postings allows previously recorded transactions to be recalled or edited.

Implication

The controls over the financial activities within the Town Clerk's department are weakened. There is an increased risk that funds could be lost or misplaced.

Recommendation

We recommend that the Town Clerk should post the activity within the Interware software in conjunction with the daily deposits. This would prevent changes to be made to the previously recorded activity. We also recommend that the daily transaction reports from the Interware system be printed, attached to the bank deposit, and provided to both the Treasurer and the finance office.

CASH ACCOUNT

Observation

The Town has a separate bank account established for the deposits of the Town Clerk. On a regular basis, the balance of the deposits into this account is transferred into the regular General Fund checking account. We noted that monthly bank reconciliations are not prepared on this bank account. Although the balance in this account is kept to a minimum, no activity is recorded in the general ledger other than the returned checks for non-sufficient funds.

Implication

The controls over the financial activities of the Town are weakened. The daily deposits by the Town Clerk into this cash account are not provided to the finance office, which prohibits the activity from being recorded in the general ledger.

Recommendation

We recommend that all activity pertaining to the separate Town Clerk cash account be submitted to the finance office on a weekly basis. A detail of the deposits should include a summary of the various town clerk revenue collected which agrees to the balance of the deposit. We further recommend that monthly bank reconciliations be prepared in order to reconcile the cash balance in the general ledger.

CREDIT CARD PURCHASES

Observation

As part of every audit engagement, we test credit card purchases for proper documentation and propriety of expenditures. When examining credit card purchases, specifically made at Aubuchon Hardware, we noted a large amount of activity with limited controls. There are many individuals listed on the monthly statement making purchases and having them charged to the Town's account. We noted an instance

during the year where an individual charged a purchase to the Town's account, but was not employed by the Town.

Implication

Controls over credit cards purchases are weakened. The abundance of purchases increases the risk that all charges may not have the proper supporting documentation that has been approved by a department head. Improper expenditures may be charged to Town's account which may go undetected.

Recommendation

We recommend that the Town implement stricter controls regarding the general purchasing policy and that with Aubuchon Hardware. One suggestion is the use of Town badges to ensure that only authorized Town employees are charging purchases to the Town's account with the store. Another suggestion in regards to the high volume of purchases is to limit the number of transactions at the store, except for emergency purposes. Fewer transactions would improve record keeping and help reduce the risk that small purchases not made by a Town employee be overlooked.