

February 14, 2023

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, 2021, we considered the Town's internal control structure to determine our audit procedures for the purpose of expressing our opinions on the 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. A separate report dated February 14, 2023, contains our report on internal accounting controls. We previously reported on the Town's internal control structure in our report dated February 14, 2023. This letter does not affect that report or our report on the financial statements dated February 14, 2023.

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 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

ESTIMATED REVENUES

Observation

In performing audit procedures over the Town's budget, we noted that the Solar Array Revolving activity was excluded from the estimated revenue figures submitted to the New Hampshire Department of Revenue. This issue was also noted during our prior year audit of the Town. The intent of the Solar Revolving Fund is to account for the revenues received from the utility company, which is used to pay the principal debt payments on the associated note payable. In the current year, the General Fund's budget did not include estimated revenues from the Solar Revolving Fund; however, the recognized revenue was \$20,385.

Implication

Excluding the estimated revenues in the Town's budget causes an unnecessary increase in funds being raised from taxation.

Recommendation

We recommend that the Town review the budgeting and accounting related to the Solar Array Revolving account. We recommend that the Town budget for the activity appropriately, such as a transfer in from Special Revenue Funds, to offset the cost of the debt that will be funded by the Solar Revolving Fund.

PAYROLL

Observation

In performing a test of controls over payroll transactions in the current year, we noted several instances where there was a lack of documentation of rates of pay, which represents a deviation from the Town's established controls.

Implication

The controls over payroll expenditures are weakened. There is an increased risk that an employee will be paid the incorrect rate without any formal wage approval on file. In addition, the Town is not in compliance with the provisions of State statutes and Department of Labor administrative rules which require documented rates of pay to be maintained.

Recommendation

We recommend that approved pay rate forms be maintained in each employee's personnel file. Additionally, for positions that receive the same pay such as election workers, we recommend that the Town maintain a formal rate schedule to indicate the approved hourly rate.