

February 20, 2024

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, 2022, 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 20, 2024, contains our report on internal accounting controls. We previously reported on the Town's internal control structure in our report dated February 20, 2024. This letter does not affect that report or our report on the financial statements dated February 20, 2024.

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 \$23,502.

### ***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.

## **PERSONNEL RECORDS**

### ***Observation***

During our testing of census data file records, we noted that the Town did not have the NHRS enrollment forms on file for two of the selected employees.

### ***Implication***

The Town is not maintaining adequate personnel records for employees and is not in compliance with the documentation needed to be maintained by the Town for NHRS and the State.

### ***Recommendation***

We recommend that the Town has each eligible employee fill out an NHRS enrollment form when they initially become eligible so the Town can maintain the documentation for classification purposes.

## **INTERFUNDS**

### ***Observation***

During the audit of the Town's trial balance and interfund accounts, we noted that the interfund accounts are not reconciled on a regular basis and were not in balance at year end. During the course of the audit, there were various audit adjustments proposed for appropriate recording.

### ***Implication***

The controls over reporting are weakened and there is an increased risk that material misstatements may exist within and across funds due to inter-fund activity not being posted appropriately.

### ***Recommendation***

We recommend that reconciliations be performed on a monthly basis for balance sheet accounts and that interfund accounts are balanced across funds. Additionally, we recommend that outstanding balances on interfund accounts are paid over in a timely manner.

## **CREDIT CARDS**

### ***Observation***

During our testing of credit card activity, we noted several finance charges incurred. Additionally, we noted several instances of supporting documentation not being included with the credit card statements.

### ***Implication***

The internal controls of credit cards are weakened with no requirement from management regarding maintaining credit card purchase receipts. Lack of supporting documentation can increase the risk for inappropriate purchases or personal purchases made on behalf of the Town. Finance charges on credit cards can be abusive of the Town's tax money if done on a regular basis.

### ***Recommendation***

We recommend that all credit cards are paid on time and the statement is reviewed to ensure that the Town maintains all receipts and that all purchases are deemed appropriate. In the case where a receipt cannot be located, we recommend that the Town put a policy in place where the employee who made the purchase indicates the reason why the receipt was not maintained and if they made an effort to look for the missing receipt.

## **DEPOSITS**

### ***Observation***

During our receipt testing procedures, we noted three different deposits that were not made in a timely manner, as well as one deposit which did not have adequate supporting documentation.

### ***Implication***

The internal controls over cash are weakened, as untimely deposits increase the risk of loss or theft of the Town's funds. Additionally, the Town is not in compliance with the state law that states that all deposits must be made within 7 days.

The lack of supporting documentation for deposits impairs the audit trail and increases the risk that monies will be susceptible to loss or theft. The lack of sufficient documentation increases the risk improper deposits will be made on the Town's behalf.

***Recommendation***

We recommend that the Town deposits all funds on at least a weekly basis to adhere with the State RSA 41:29, which states that all deposits are required to be deposited within 7 days of receiving the money. We also recommend that the Town maintain documentation for all deposits including the deposit receipt and a copy of all applicable checks that went into the deposit.