

March 3, 2010

To the Board of Selectmen
Town of Warner, New Hampshire

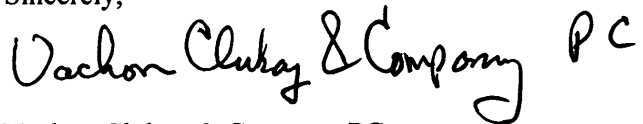
In planning and performing our audit of the financial statements of the governmental activities, and the aggregate remaining fund information of the Town of Warner, New Hampshire for the year ended December 31, 2008, we considered the Town's internal control structure to determine our auditing procedures 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 March 3, 2010. This letter does not affect that report or our report on the basic financial statements dated March 3, 2010.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss it 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

PAYROLL DISBURSEMENTS

Observation

Our audit procedures on the payroll transaction cycle indicated that the bi-weekly payroll disbursements are being processed and released on the weeks that the Board of Selectmen does not have scheduled meetings. Accordingly, direct deposits and payroll checks to employees are being released prior to being formally approved by the Board.

Implication

The controls over cash are weakened as unauthorized payments may be written. The Selectmen are responsible for establishing and maintaining appropriate internal control procedures to ensure the safeguarding of all Town assets.

Recommendation

We recommend that the Town establish a policy to increase the controls over cash disbursements. Payroll manifests are to be formally reviewed and approved prior to being disbursed. If a majority of the Board members are not available to review the payroll manifests, an acceptable policy may be to delegate the approval process to the town administrator to ensure that only town employees are being paid for the actual hours worked during the pay period.

Town Response

The Board of Selectmen will be discussing this recommendation and will either schedule a meeting on the "off" weeks for the purpose of manifest approval and/or to authorize the Town Administrator to approve payroll manifests.

TAX WARRANTS

Observation

As part of our audit, we noted that property tax bills were due on July 1st, yet the tax collector did not receive a signed warrant authorized by the Selectmen until July 8th. In accordance with state law (RSA 76:10), a list of assessed properties is to be committed by the Selectmen via a warrant and then directed to the tax collector to mail the individual bills and accept payment.

Implication

The procedures for the property tax billings mailed during June 2008 were not properly adhered to. The tax collector is not authorized to collect taxes without a signed warrant from the Selectmen.

Recommendation

We recommend that the tax collector obtain a signed warrant from the Selectmen prior to collecting any taxes. State laws and regulations provide strong internal controls over the tax collection function and should be complied with.

Town Response

Upon reviewing this issue with the Tax Collector and Assessing Clerk, the Town Administrator will now take a more active role in the monitoring of the tax bill processes and will be providing additional supervision with regard to the timeframe in which the warrant is printed and presented to the Selectmen for signatures.

DEPOSITS

Observation

We noted that the collections from motor vehicle permit fees are not being deposited on a timely basis. These monies are consistently held in excess of a week before being brought to the bank. One of the items that we selected as part of our testing was collected on October 15th, but was not credited to the Town's bank account until November 7th which is a difference of approximately three weeks.

Implication

Internal controls over cash may be weakened because of the time delay between when the cash and checks are received and subsequently deposited. The Town is exposed to an increased risk that funds could be lost or misplaced.

The office of the town clerk may not be in compliance with State law, which states that all monies are to be remitted to the Town Treasurer at least on a weekly basis. The statute has been amended to indicate that such payments may be deferred until the receipts total \$1,000.

Recommendation

We recommend that the deposits from the town clerk's office be made in a timely manner. Depending on the daily activity, deposits may need to be made on a daily basis if the receipts exceed \$1,000.

Town Response

This recommendation listed in this report has been forwarded to the Town Clerk for her review and action. Warner's internal control policy is due to be formalized and will include a section with regard to deposits which will incorporate this observation and recommendation.

LIBRARY DISBURSEMENTS

Observation

We noted that disbursements are being paid out of the Library Fund without any formal authorization from either the library director or the Library Board of Trustees.

Implication

The controls over cash are weakened as unauthorized payments may be written out of the library account.

The lack of a formal approval by the library trustees places too much reliance on the Library Treasurer. Sound business practices require a secondary formal approval for disbursements to maintain the proper level of business controls.

Recommendation

We recommend that the Library adopt a policy whereby all invoices are to be approved by the Board of Library Trustees prior to payment. This approval can be indicated by signing one's initials on the actual invoice. Another option is to have the Board of Library Trustees indicate their approval on a manifest detailing the various invoices being processed for payment.

Town Response

The observation and recommendation was forwarded to the Library Trustees via the Library Director for their review and action.