

August 1, 2012

To the Board of Selectmen
Town of Windham, 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 Windham, New Hampshire for the year ended December 31, 2011, we considered the Town's internal control structure in order to determine our auditing procedures for the purpose of expressing 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 recommendations regarding those matters. A separate report dated August 1, 2012 contains our report on internal accounting controls. This report does not affect our report dated August 1, 2012 on the financial statements of the Town of Windham, New Hampshire for the year ended December 31, 2011.

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

Sincerely,


Vachon Clukay & Company PC

TAX LIEN COMPLIANCE

Observation

During our audit procedures over the tax lien process we noted that the tax collector did not register tax lien redemptions with the registry of deeds within the 30 day period required by RSA 80:70.

Implication

State law requires that tax lien redemptions be registered with the registry of deeds within 30 days of the receipt of such funds.

Recommendation

We recommend that on a monthly basis, the tax collector review any tax lien redemptions and properly register those completed redemptions with the registry of deeds in order to be in compliance with State law.

Response

During 2011, the Tax Collector's office, comprised of a Tax Collector and Deputy Tax Collector, encountered a significant staffing shortage in which the Deputy was out of work with a disability in excess of six months out of the year. While the Town was able to provide some temporary office assistance to the Tax Collector, we were unable to replace the Deputy position and as a result, there were delays in conducting the multitude of required tasks in this department. Although tax lien redemptions were filed during this period, the staffing shortage affected the timeliness of these filings. In early 2012, a new Deputy Tax Collector was appointed, therefore, the Town is confident that this issue has been resolved.

TAX COLLECTOR DEPOSITS

Observation

During our audit procedures over cash we noted that collections by the tax collector were not processed and deposited until several days after receipt, 14 business days for the last deposit. In total, at year-end, cash collected and not deposited amounted to \$1,772,511. The Town is in violation of RSA 41:29.

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 stolen. RSA 41:29 requires deposits be remitted at least on a weekly basis, or daily whenever funds remitted from all departments collectively total \$1,500 or more.

Recommendation

We recommend that all deposits be made in a timely manner as required by State law.

Response

As previously noted, during 2011, the Tax Collector's office, encountered a significant staffing shortage due to the extended absence of the Deputy Collector. While the Town was able to provide some temporary office assistance to the Tax Collector, we were unable to replace the Deputy position and as a result, there were delays in conducting the multitude of required tasks in this department. Most notably, with the significant year-end rush of tax payments that were received in late December, there were delays in completing the manual process of entering payments into the tax collection software system, which in turn caused delays in the timing of deposits in the bank. During this time-frame, although the Tax Collector was unable to ensure timely deposits were made, the funds were kept secured in the Town vault and subsequently deposited once recorded in the software system. In early 2012, a new Deputy Tax Collector was appointed, therefore, the Town is confident that this issue has been resolved.