

**TOWN OF WARREN,**  
**RHODE ISLAND**

**COMMUNICATION OF MATTERS  
PRESCRIBED BY  
STATEMENT ON AUDITING STANDARDS #115  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

To the Members of the Honorable Town Council  
Town of Warren, Rhode Island

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 Warren as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Warren's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified a deficiency in internal control that we consider to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control that we consider to be a significant deficiency.

The Town of Warren's written response to the significant deficiency and material weakness in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Identified Deficiencies in Internal Control**

**We believe the following deficiencies constitute material weaknesses.**

#### ***Complete General Ledger:***

Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all capital assets of the governmental activities. As of June 30, 2012 and 2013, the Town was maintaining the capital asset records utilizing the capital asset module of the Edmunds general ledger system. During our audits, we noted that the beginning balances did not agree with the prior year ending balances as documented in the various capital assets reports. We also noted that there were inconsistencies in the amounts reported on various reports, such as current year additions and depreciation expense. We also noted that the capital additions found during the prior year audit as well as the additions related to the activity funded by the Rhode Island Clean Water Financing Agency (RICWFA) were not included in the capital asset listings. As a result of these issues, we were unable to audit the capital assets of the Town and issued an adverse opinion on the government-wide statements for 2013 and 2012.

#### **Recommendation**

We recommend that management work with Edmunds to determine the cause of the reporting issues and to determine if management is properly using the capital asset module. Also we recommend that management implement procedures to ensure that all capital asset additions are being properly recorded in the capital asset program.

#### ***Management's Response***

Management will coordinate with Edmunds to correct issues with the recording of capital assets, and to make sure capital asset additions are being recorded correctly.

**We believe the following deficiencies constitute significant deficiencies:**

***Accounting Policy and Procedures Manual***

We noted that the Town of Warren currently does not have an updated accounting policy and procedures manual. Written procedures, instructions and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that procedures used are proper, and that records are produced in the form desired by management. A good accounting manual will also aid in the training of new employees.

***Recommendation***

We recommend that management review and update the accounting policy and procedures manual. The procedures manual should identify the controls that are in place to help reduce the risk of fraud, errors or irregularities from occurring and going undetected by management. It will take some time and effort by management to update the manual; however, we believe this time will be more than offset by time saved later in training accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of updating the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

***Management's Response***

Management will review its accounting policy and procedures manual (s) to determine what changes and updates are necessary.

This communication is intended solely for the information and use of the Town Council and management of the Town of Warren and is into intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



BRAVER P.C.