

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF AGRICULTURE,  
MARKETS, AND FOOD**

**FINANCIAL AUDIT REPORT  
FOR THE SIX MONTHS ENDED  
DECEMBER 31, 2008**



**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF AGRICULTURE, MARKETS, AND FOOD**

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**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF AGRICULTURE, MARKETS, AND FOOD**

**Reporting Entity And Scope**

The reporting entity of this audit and audit report is the Department of Agriculture, Markets, and Food, including the administratively attached Board of Veterinary Medicine and the State Conservation Committee. The scope of this audit and audit report includes the financial activity of the Department of Agriculture, Markets, and Food, including the administratively attached Board of Veterinary Medicine and the State Conservation Committee for the six months ended December 31, 2008. Unless otherwise indicated, references to the Department or auditee refer to the Department of Agriculture, Markets, and Food.

**Organization**

The Department of Agriculture, Markets, and Food is established in RSA 425:1 under the executive direction of a Commissioner of Agriculture, Markets, and Food. The Commissioner is appointed by the Governor, with the consent of the Executive Council for a term of five years. The Board of Veterinary Medicine is administratively attached to the Department by RSA 332-B:3, IV. RSA 425:14 directs the Commissioner of the Department to exercise general supervision over the clerical personnel of the State Board of Veterinary Medicine, who work within the Department's office.

The Department is organized into the following divisions:

Office of the Commissioner

The Office of the Commissioner is responsible for the general administrative and financial functions of the Department. The Office of the Commissioner also oversees the Soil Conservation Program of the State Conservation Committee.

Division of Agricultural Development

The Division of Agricultural Development works to bring producers and consumers together in the marketplace through promotional initiatives and marketing programs.

Division of Animal Industry

The Division of Animal Industry is responsible for the control and eradication of all contagious and infectious diseases of domestic animals and poultry in the state. The Division of Animal Industry also oversees the Animal Population Control Program.

Division of Pesticide Control

The Division of Pesticide Control works to ensure the safe and proper use of chemical pesticides by enforcing State pesticide laws affecting sale, storage and application of all registered pesticides, examining and licensing pesticide dealers and users, and registering all economic poisons sold and used within the state.

### Division of Plant Industry

The Division of Plant Industry is responsible for the inspection of commercially grown nursery/greenhouse stock throughout the state.

### Division of Regulatory Services

The Division of Regulatory Services is responsible for assuring compliance with New Hampshire laws and the administrative rules of the Department governing the marketing of certain farm commodities.

### Division of Weights and Measures

The Division of Weights and Measures enforces all of the state's laws affecting the measurement of commodities moving in commerce. The Division of Weights and Measures also oversees the Agricultural Product and Scale Testing Program.

### Board of Veterinary Medicine

The Board of Veterinary Medicine is responsible for the licensure and regulation of the veterinary profession, as outlined in RSA 332-B.

The Department had a total of 38 employees at December 31, 2008, including five part-time employees. The Board of Veterinary Medicine had one full-time employee.

## **Responsibilities**

The Department's general functions and responsibilities are outlined in RSA 425:2, and include:

- I. Promoting and regulating agriculture in all its branches.
- II. Regulating all commercial transactions involving the measurement of weight, distance, volume, or time.
- III. Regulating the quality and grade of agricultural crops and supplies and food products. Nothing in this paragraph shall be construed to apply to dietary supplements as defined in 21 U.S.C. 321, as amended by the Dietary Supplement Health and Education Act of 1994, and as may be amended from time to time.
- IV. Gathering and disseminating information on agriculture, crop production, market activity, and other subjects consistent with the responsibilities of the Department.
- V. Cooperating with other agencies of the State and federal governments, the University of New Hampshire, commodity and consumer groups in the public interest and all who are engaged within this State in any form of agriculture, or its allied vocations, for advice on those activities.
- VI. Conducting such other activities as the statutes shall direct.

## **Funding**

The financial activity of the Department is accounted for and reported in the General and Capital Projects Funds of the State of New Hampshire. A summary of the financial activity of the Department for the six months ended December 31, 2008 is shown in the following schedule.

**Summary Of Department Financial Activity  
For The Six Months Ended December 31, 2008**

	<u>Unrestricted</u> <u>Revenues</u>	<u>Restricted</u> <u>Revenues</u>	<u>Total</u> <u>Revenues</u>	<u>Expenditures</u>
<b><u>General Fund</u></b>				
Office Of The Commissioner	\$ 408	\$ -0-	\$ 408	\$ 99,488
Division Of Agricultural Development	60,863	154,005	214,868	328,119
Division Of Animal Industry	18,460	17,373	35,833	360,709
Division Of Pesticide Control	661,507	229,530	891,037	352,189
Division Of Plant Industry	338	68,807	69,145	183,836
Division Of Regulatory Services	134,101	35,865	169,966	199,452
Division Of Weights And Measures	312,587	-0-	312,587	158,449
Agricultural Product And Scale Testing	175,150	176,325	351,475	75,669
Animal Population Control Program	-0-	111,290	111,290	257,988
Board Of Veterinary Medicine	113,354	-0-	113,354	42,607
Soil Conservation Program	-0-	232,887	232,887	192,563
Total General Fund	<u>1,476,768</u>	<u>1,026,082</u>	<u>2,502,850</u>	<u>2,251,069</u>
<b><u>Capital Projects Fund</u></b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>110,668</u>
Total Capital Projects Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>110,668</u>
<b>Total Department</b>	<b><u>\$ 1,476,768</u></b>	<b><u>\$ 1,026,082</u></b>	<b><u>\$ 2,502,850</u></b>	<b><u>\$ 2,361,737</u></b>

**Prior Audit**

The most recent prior financial audit of the Department was for the fiscal year ended June 30, 1995 and the six months ended December 31, 1995. The appendix to this report contains a summary of the current status of the observations contained in that report. A summary of the prior audit report can be accessed online at [www.gencourt.state.nh.us/lba/audit.html](http://www.gencourt.state.nh.us/lba/audit.html).

**Audit Objectives And Scope**

The primary objective of our audit was to express an opinion on the fairness of the presentation of the financial statement of the Department of Agriculture, Markets, and Food for the six months ended December 31, 2008. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we considered the effectiveness of the internal controls at the Department and tested its compliance with certain provisions of applicable laws, rules, regulations, contracts, and grant agreements. Major accounts or areas subject to examination included, but were not limited to, revenues and expenditures of the Department.

Our report on internal control over financial reporting and on compliance and other matters, the related observations and recommendations, our independent auditor's report, and the financial statement, are included in the report that follows.

## **Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters**

*To The Fiscal Committee Of The General Court:*

We have audited the Statement of Revenues and Expenditures, General and Capital Projects Funds, of the New Hampshire Department of Agriculture, Markets, and Food (Department) for the six months ended December 31, 2008 and have issued our report thereon dated April 16, 2009, which was qualified as the financial statement does not constitute a complete financial presentation of the Department. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's



financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Observations No. 1 through No. 15 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe Observation No. 1 is a material weakness.

### Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statement is free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance which are described in Observations No. 16 through No. 18.

The Department's response is included with each observation in this report. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the New Hampshire Department of Agriculture, Markets, and Food, others within the Department, and the Fiscal Committee of the General Court and is not intended to be used by anyone other than these specified parties.

Office Of Legislative Budget Assistant

April 16, 2009

**Internal Control Comments**  
**Material Weakness**

**Observation No. 1: Controls Over Revenue Processing Must Be Improved**

*Observation:*

The Department has not established appropriate controls to ensure revenues and other receipts are recorded in the accounting system and deposited in a controlled and timely manner.

Revenues and other receipts are not initially recorded upon receipt. Department mail is distributed unopened to the various divisions of the Department where licenses, registrations, and other revenue generating activity is initially processed. Upon processing in the divisions, cash and checks are forwarded to the Department's business office for recording and deposit. Only one division records its cash and checks upon receipt. The cash and checks received by the other divisions are not initially recorded until they are forwarded to the business office, delaying the accountability for these receipts. This delay in accountability is especially concerning, as the Department has not established effective segregation of duties controls over the handling of receipts and access to the supporting accounting records.

The receipt process used by the Department during the audit period contributed to delays in the Department's deposits. Of 101 receipts tested, 73 were recorded more than five business days after the date of receipt. Deposits of these receipts occurred as many as 28 business days after the Department initially received the checks. In one example, a deposit of \$38,880 was made 15 business days after the date of receipt. The delayed deposits are not in compliance with RSA 6:11, increase the risk of theft or loss, and have a negative effect on the State's cash flow.

A similar issue was noted in the prior audit report.

*Recommendation:*

The Department must take steps to improve controls over its revenue and receipt process. Accountability over cash and checks must be established upon receipt and maintained through deposit. Responsibility for custody of cash and checks must be segregated from access to supporting accounting records.

Cash and checks should be deposited as soon as practical, generally within a day of receipt.

*Auditee Response:*

We concur with the observation made, but must point out that the high level of tardy processing of receipts found in the audit was largely attributable to a period when the employee who usually handles receipts was out for an extended period due to surgery, and the accountant had recently left as well. This left the Department extremely shorthanded on the business side.

The Department has addressed the concerns raised in this observation. Each division records receipts daily on a spreadsheet, then turns them over to the business office for deposit and recording. Now that the accountant position has been filled, deposits are being made on a much more timely basis.

## Other Significant Deficiencies

### **Observation No. 2: Information Sharing And Communications Should Be Improved**

#### *Observation:*

The Department has not established an effective system for sharing and communicating accounting information, resulting in the Department reporting erroneous information.

While the Department's business office is responsible for the Department's accounting and reporting functions, much of the information needed for that accounting and reporting is maintained in the divisions. The following issues were noted during the audit indicating the need for improvements in the Department's systems for sharing and communicating accounting information between the business office and the divisions.

- The Department's Real Property Summary at June 30, 2008 did not include conservation easements for six parcels of property. Easements for 3.1 acres located in Lyme and 8.03 acres in Tilton, deeded to the State during fiscal year 2008, and easements for four properties located in Farmington, Litchfield, Claremont, and Groveton obtained prior to fiscal year 2008, were not included on the Department's Real Property Summary submitted by the business office to the Department of Administrative Services. The reporting of the real property records was not coordinated between the business office and the division responsible for monitoring the properties resulting in the failure to detect the reporting oversight. The known properties and acreage not included in the Real Property Summary amounted to 363.61 acres with an estimated value of \$700,000.
- The business office did not effectively communicate with the divisions when determining the expected federal program revenues to be included in the fiscal year 2008 accounts receivable amounts. The Department's June 30, 2008 accounts receivable only reported the amounts necessary to carry forward the spending authority in the account but did not report an accurate estimate of accrued revenue. Additional amounts totaling nearly \$115,000 were measurable and available at June 30, but were not recognized as receivable.
- An account that should have been closed in fiscal year 2007 was retained in fiscal years 2008 and 2009 because the division did not provide information to the business office to affect the closure of the account. The account carried forward with what appeared to be approximately \$50,000 of federal funds available at the start of fiscal year 2009, when in fact the program's funding was exhausted with fiscal year 2007 expenditures. The Department has identified additional accounts with small balances that may also be in similar situations, and may need to be closed out.

#### *Recommendation:*

The Department should implement policies and procedures to improve information sharing and communication between the business office and the divisions. The business office should coordinate its reporting with the responsible divisions to ensure that it has complete, current, and accurate information.

Accounts should be closed when no longer required.

*Auditee Response:*

We concur that the Department should implement policies that promote effective information exchange between the divisions and the business office.

- Through the audit process the administrative assistant has learned that the Division of Regulatory Services maintains a spreadsheet record of all the Department's agricultural conservation easement holdings. She will now make use of this record when annually updating the Department's Real Property Summary. The Department will assure that its listing of real property is updated and intra-department communication is maintained. It is important to note that the Department's real estate interest in these properties is not a fee simple interest, but rather is limited to its conservation easement value. In some cases the Department's easement holding interest is a secondary or back-up interest to that of other non-profit organizations.
- The expected federal program revenues were not effectively communicated at the end of the fiscal year in this instance. This was on advice of the Department's business supervisor (Administrative Services), when there was more fiscal-year closing work than could be accomplished with our small staff. The business supervisor advised focusing attention on federal accounts with negative balances.
- We concur that the referenced account in the third bullet item should have had the appropriate related expenses charged to it in 2007, and closed out. Accounts will be closed when no longer needed. This was an oversight, and is an example of procedures that need more close monitoring than the Department had staffing for during much of the audit period.

With the recent filling of the Department's accountant position, communication between business office and the divisions has increased, and management of federal funds will be more closely monitored. In most cases, the divisions are in weekly, if not more frequent, correspondence and contact with the provider of these funds (e.g., U.S. Department of Agriculture, Animal and Plant Health Inspection Service, Veterinary Services) regarding not only the activities supported by these funds but a variety of additional joint efforts.

**Observation No. 3: Controls Over The Payroll Process Should Be Improved**

*Observation:*

Payroll functions at the Department are not sufficiently segregated to promote the prevention and timely detection of payroll errors.

One Department employee is responsible for performing essentially all of the Department's payroll functions without a supervisory review of that work. This employee accumulates and records in the State's payroll system (GHRIS) all employee pay records including leave time, compensatory time, overtime, and work hours of part-time employees. No other Department employee effectively reviews the accuracy of the payroll records prepared by this employee.

During the six months ended December 31, 2008, this employee also received and distributed paychecks to employees who receive them in hand. This task has since been reassigned to mitigate some of the risk.

The lack of effective segregation of duties of the Department's payroll functions increases the risk payroll errors or frauds may occur and not be detected in a timely manner.

A similar comment was made in our prior audit of the Department.

*Recommendation:*

The Department should strengthen its payroll controls. A proper segregation of duties over payroll functions should be established in the form of an effective review and approval function to lessen the risk that one person is in a position to both commit and conceal errors or frauds. The Department should monitor the control to ensure that the review and approval control is operating as intended.

*Auditee Response:*

We concur, and the Department has taken the required steps to correct this situation. Shortly after it was brought to our attention by the auditors, the Commissioner assigned a second employee who is now responsible for picking up the paychecks or stubs and distributing them to recipients, effectively segregating these payroll tasks. A senior staff person (the Director of Regulatory Services) has been designated to periodically review payroll records. We propose a quarterly review of employee pay, leave and work hour records, with documentation of such oversight.

**Observation No. 4: Expenditure Control Activities Should Be Monitored**

*Observation:*

Department expenditure controls have not been monitored to encourage compliance.

The Department has implemented an expenditure control procedure to ensure Department expenditures are appropriate. The Department's controls include a requirement that a division head must authorize an invoice prior to the Department making payment. The authorization is to be evidenced by the division head's initials on the invoice.

- For eight of 37 (21.6%) expenditure transactions selected for testing, no initials were applied to the invoice to evidence a division director had authorized payment of the invoice. The Department acknowledged this control activity was not being consistently utilized.

*Recommendation:*

The Department should monitor control activities to ensure intended controls are in place and operating as designed.

*Auditee Response:*

We concur that the Department must improve monitoring of expenditure control, by ensuring that the Department policy requiring directors to initial invoices for payment is more consistently followed. Every invoice not pre-approved by a purchase order must be marked with the director's initials and account code. This is another case where the hiring of our new accountant enables us to be more thorough in monitoring compliance with the procedure. The State's new accounting system, NH FIRST, will further help to ensure procedures are followed.

**Observation No. 5: Motor Vehicle Usage Should Be Reviewed**

*Observation:*

More commuting miles than business miles were reported for at least five of the Department's motor vehicles during the November 1, 2007 through October 31, 2008 reporting period.

The Department has 25 motor vehicles. Twenty-two of these vehicles are permanently assigned to employees. Eight employees with permanently assigned motor vehicles reported commuting use of their assigned vehicles for more than half of the business days during the reporting period. The following table presents an analysis of the regular commutes of these employees and the miles their assigned vehicles were driven during the November 1, 2007 through October 31, 2008 reporting period.

<u>Vehicle</u>	<u>Reported Commuting Days</u>	<u>Calculated Commuting Miles</u>	<u>Total Vehicle Miles</u>	<u>Calculated Business Miles</u>	<u>Calculated Business Use</u>
<b>1</b>	<b>191</b>	<b>11,002</b>	<b>15,424</b>	<b>4,422</b>	<b>29%</b>
<b>2</b>	<b>181.5</b>	<b>11,108</b>	<b>14,631</b>	<b>3,523</b>	<b>24%</b>
3	168.5	2,022	13,899	11,877	85%
<b>4</b>	<b>153.5</b>	<b>18,788</b>	<b>30,976</b>	<b>12,188</b>	<b>39%</b>
5	135.5	5,447	17,996	12,549	70%
<b>6</b>	<b>131.5</b>	<b>6,522</b>	<b>12,729</b>	<b>6,207</b>	<b>49%</b>
<b>7</b>	<b>131.5</b>	<b>12,361</b>	<b>22,484</b>	<b>10,123</b>	<b>45%</b>
8	131	865	14,146	13,281	94%

As shown by the bolded items in the table above, five of these eight motor vehicles were driven more commuting miles than business miles during the reporting period.

A similar observation was included in the prior audit report.

In November 2008, Executive Order 2008-11 was issued requiring State vehicles to be parked overnight at the assigned employee's primary business office unless the agency head determined parking the vehicle at the employee's personal residence was necessary for the employee to carry out his or her assignment. In June 2008, the Department, in anticipation of the executive order, reviewed the overnight location assignment of all of its vehicles. As a result of that review, the overnight parking location for two Department vehicles was changed to the Concord office location. The employee's residence continued as the overnight parking location for each of the eight vehicles included in the table above.

*Recommendation:*

The Department should again review its vehicle assignments to ensure that Department vehicles are used primarily for State business. The Department should regularly analyze how its vehicles are being utilized to ensure Department vehicles, fuel, and other Department expenditures do not unnecessarily underwrite employees regular workday commutes to the Office.

More efficient use of Department resources may result from the use of pooled or shared vehicles and more efficient scheduling of business travel.

*Auditee Response:*

We concur in part. The Department has already established a policy of reviewing motor vehicle usage on a continuing basis. The commissioner and designated transportation officer review all vehicle assignments and usage annually, and also whenever a change in employment or work assignment occurs.

We respectfully disagree with some conclusions drawn in this observation. We do not believe the methodology (based on self-reporting by employees of commuting days, as defined by the IRS) provides an accurate breakdown of business vs. commuting use.

The Department has given extensive consideration to vehicle use, security, location, and employee assignment of vehicles. Early in 2008 we undertook a thorough review and update of department vehicle use policies, adding policies recommended by the Office of Risk Management. Employee vehicle assignments were reviewed based on the guidelines in Executive Order 2008-11 as discussed by the governor with department heads.

The Department of Agriculture works under different conditions and circumstances than many other state agencies. Specialized inspectors and technicians travel over the entire state to complete their work, using specialized equipment and instruments, some of which is stored in the vehicles. Our division directors also engage in field work and supervision, and travel around the state for meetings with various regulated or constituent groups and organizations, and others. Several directors and staff members have emergency on-call responsibilities, including Homeland Security and Emergency Management, as well.



A high percentage of department staff members are out around the state on a daily basis. Many of these employees live in different regions of the state, which provides more convenient and efficient access to locations outside the Concord area, and more efficient use of staff time and taxpayer dollars. Employees leaving directly from their homes to North Stratford or Eaton or Winchester can accomplish more within the confines of a state workday.

The observation refers to the Executive Order requiring “state vehicles to be parked overnight at the assigned employee’s primary business office unless....” The Department has one assigned parking space at its main office location at the State House Annex. Pooled vehicles are parked at the Department of Transportation lot on Stickney Avenue.

We maintain that the lack of secure parking, the presence of equipment and instruments, and the geographically dispersed nature of the work carried out by this department should be considered in determining assignment and parking locations of vehicles, which is our understanding of the governor’s order. The Commissioner and division directors give serious consideration to secure and responsible care of the department’s vehicles, and to the efficient use of vehicles, fuel and staff time through efficient scheduling of travel. These are some of the ways that the Department is able to accomplish so much within its very constrained budget.

#### **Observation No. 6: Controls Should Be Established For The Financial Activity Of The Board Of Veterinary Medicine**

##### *Observation:*

The lack of an effective review and approval process for Board of Veterinary Medicine (Board) financial activity increases the risk that errors or frauds could occur and not be detected and corrected in a timely manner.

The Board has one employee who is solely responsible for performing essentially all of the accounting functions for the Board, with the exception of payroll, which is performed by the Department. There are no supervisory approvals or reviews of the financial transactions prepared by this employee. This employee initiates, records, approves, and reconciles revenue and expenditure transactions to the State’s accounting system (NHIFS). By not having adequate segregation of duties or other mitigating controls, there is an increased risk of undetected errors or frauds.

A similar comment was included in our prior audit report.

##### *Recommendation:*

The Board must institute controls to provide reasonable assurance that its financial activity is properly transacted, recorded, and reported.

The Board should work with the Department to provide reasonable controls over the Board’s financial activity. All cash receipt, payment voucher, and other important financial transaction

control documents should be reviewed and approved by a responsible employee other than the preparer of the documents. The approvals should be based upon examination and acceptance of sufficient supporting documentation.

*Auditee Response:*

We concur in part, but not in full. “The Board has one employee who is solely responsible....” The auditors acknowledge that the Board has a single employee, making it difficult to divide duties. As with Observation No. 4, the State’s new accounting system, NH FIRST, should help address this issue.

**Observation No. 7: Procedures Should Be Implemented To Ensure Accuracy Of Conservation License Plate Revenue**

*Observation:*

The Department does not have policies and procedures to ensure the accuracy of the transfer from the Department of Safety of revenue from the Conservation License Plate (Moose Plate) program. This transfer, totaling \$232,887 during the six months ended December 31, 2008, is the main source of revenue for the State Conservation Committee (Committee) to fund resource conservation project grants.

RSA 261:97-b, outlines the calculation for the distribution of the funds to each agency, including the Committee. Neither the Department nor the Committee has requested information from the Department of Safety to verify the accuracy of the revenue transfer amounts.

*Recommendation:*

The Department in coordination with the Committee and the Department of Safety should implement procedures to ensure the accuracy of the Conservation License Plate revenue transfers. Information should be requested from the Department of Safety to facilitate an effective review and verification of the amounts transferred.

*Auditee Response:*

The Commissioner has contacted the Deputy Commissioner of Safety to initiate development of a procedure to review and verify the allocation of funds to the State Conservation Committee from sales of Conservation License Plates. The Department will work with the Director of the Division of Administration at the Department of Safety.

**Observation No. 8: Procedures Should Be Established To Remind Individuals Associated With The Department Of Their Need To File Statements Of Financial Interests**

*Observation:*

Many individuals associated with the Department who were required to file a Statement of Financial Interests in accordance with RSA 15-A:3, did not file.

Per RSA 15-A:3, “The following persons shall file a statement of financial interests as required by this chapter: ...III. Every person appointed by the governor, governor and council, president of the senate, or the speaker of the house of representatives to any board, commission, committee, board of directors, authority, or equivalent state entity whether regulatory, advisory, or administrative in nature. IV. All agency heads.”

Per RSA 15-A:6, “All persons subject to this chapter shall file a statement of financial interest annually no later than the third Friday in January.”

- Forty-five of 54 individuals tested who were required to file a Statement of Financial Interests with the Secretary of State did not file a Statement for calendar year 2008.

*Recommendation:*

The Department should establish procedures to annually remind individuals associated with the Department of their need to file Statements of Financial Interests with the Secretary of State.

*Auditee Response:*

We concur, but had not understood that the Department was responsible for annually reminding all members of boards and committees associated with the Department of this obligation to file. We have begun the process of reminding members of these boards that they must file financial disclosure statements annually, and will make this reminder part of the routine agenda and meeting notice procedures at the end of each year.

**Observation No. 9: Agreement For Inspectional Services Should Be Completed**

*Observation:*

The Board of Veterinary Medicine (Board) has not entered into an agreement for receiving inspectional services from the Board of Pharmacy. RSA 318:9-a requires an agreement between the boards. While the statute requires the Board’s payment to the Board of Pharmacy to be based upon a per capita charge for each person registered, the payment by the Board has been a budgeted amount with no assurance provided by the Board of Pharmacy that the amount paid by the Board is the statutorily accurate amount.

During the six months ended December 31, 2008, the Board paid \$11,250 to the Board of Pharmacy for inspectional services.

*Recommendation:*

The Board should enter into the statutorily required agreement with the Board of Pharmacy for providing inspectional services. The Board should request support for the amounts billed.

The Board should also request reports on the results of inspections performed to determine whether any Board action is required to improve Board operations and operations of the regulated veterinarians.

*Auditee Response:*

We concur in part. Each biennium, the Board of Veterinary Medicine receives a written document from the Board of Pharmacy for delivery of inspectional services that specifies the total annual fee. The Board had considered this a formal agreement, though there may be a question regarding the format. Further, with the exception of fiscal year 2008, the Board has annually submitted requests to the Board of Pharmacy for support of the amounts billed and summary of services provided. Copies of these requests are available from the Board.

**Observation No. 10: Conservation Easements Should Be Monitored**

*Observation:*

The Department is not in compliance with a requirement to monitor parcels to which the State holds agricultural land development rights. These properties have easements requiring restraints against acts or uses detrimental to retention of the land for agricultural use.

The Agricultural Lands Preservation Committee (ALPC), which functions within the Department of Agriculture, Markets and Food, is charged with monitoring the properties. As a matter of practice, the Department's Division of Regulatory Services has been performing the inspections for several years. However, the Department did not monitor 14 out of 33 (42%) properties within the prior two years as required by RSA 432:22, V, reportedly due to staff shortage as a result of an employee retiring. The Department's plan is to inspect the properties in the fall of 2009.

Without monitoring the properties, the State is at risk of unknowingly allowing changes to the property, which could adversely affect the value of the easement, and could be contrary to the intended purpose of the easement.

*Recommendation:*

The Department should develop procedures for ensuring timely compliance with monitoring and inspecting of conservation easement properties.

*Auditee Response:*

We concur, but with explanation of extenuating circumstances. Due to the temporary re-assignment and a subsequent extended period of sick leave of the staff person assigned to monitoring easements in the southwest portion of the State, a number of parcels were not monitored during the period covered by the audit. We wish to note that all biennial monitoring requirements had been conducted fully for many years prior. The Department will assure that future monitoring is conducted as called for in the statute.

**Observation No. 11: Controls Over Compliance With Statewide Equipment Reporting Procedures Should Be Improved**

*Observation:*

The Department is not in compliance with State equipment accounting and reporting policies and procedures.

- The Department did not report its entire real property and equipment inventory at June 30, 2008. The Department reported only real property and equipment with an original cost of over \$10,000 to the Department of Administrative Services at June 30, 2008. The Department did not report equipment with a cost between \$100 and \$10,000.
- The Department did not take a complete physical inventory of equipment during fiscal year 2008. The Department inventoried equipment with a cost of over \$10,000, but did not perform a physical inventory of equipment with a cost between \$100 and \$10,000.
- The Department did not submit monthly equipment adjustment reports (P-21s) during fiscal year 2008.

*Recommendation:*

The Department should comply with all State equipment policies and procedures.

A complete annual physical inventory should be taken and reported for all State equipment with an historical cost of over \$100 and an expected life of greater than one year. Changes to the equipment inventory should be reported monthly, in accordance with the Statewide policy. The Department should compare the physical inventory to its record and investigate variances, if any.

*Auditee Response:*

We concur. This is another example of how understaffing results in some tasks not being completed. Staff has tried to prioritize such work. The Department staff had no knowledge of the P-21 reports prior to the audit. The newly hired accountant will be responsible for inventory, and will be instructed to complete and submit the monthly P-21 equipment adjustment reports.

## **Observation No. 12: Controls Over Federal Program Compliance Should Be Improved**

### *Observation:*

The Department lacks adequate controls to ensure compliance with the requirements of its federally funded programs.

The following conditions were noted during the audit period:

1. A segregation of duties issue exists in the Department's management of the Organic Certification Cost-Share Program (a cooperative agreement overseen by the Division of Regulatory Services). One employee determines eligibility; records, tracks, and reconciles program expenditures; and compiles, prepares and submits federal reports. There is no secondary review of any of these steps being performed. The lack of an effective review and approval control increases the risk that errors or fraud can occur and not be detected and corrected in a timely manner. During the audit period, the Department expended \$18,225 of its federal award for this program.
2. The Division of Regulatory Services, the Division of Pesticide Control, the Division of Plant Industry, and the Division of Agricultural Development do not have controls in place to prevent the use of federal funds by a suspended or debarred party, which increases the risk that such use could occur. However, no payments to suspended or debarred parties were detected.
3. The Division of Regulatory Services did not return its unused advanced funding for the Organic Certification Cost-Share Program by the date specified in its cooperative grant agreement, increasing the risk that the Department may be subject to unnecessary interest fees. The funds, totaling \$5,776, were returned approximately one month late.
4. The Division of Regulatory Services submitted only one of the Organic Certification Cost-Share Program quarterly activity reports required by its cooperative grant agreement, reportedly because there was no activity in the program during the first three quarters. Per the Division, it typically only submits reports at the end of the year in lieu of quarterly reports because of time constraints. Additionally, the Division submitted a financial status report and a final narrative report approximately one month late.
5. The Division of Pesticide Control does not have documentation to support its match amount for the Performance Partnership Grant (formerly the Consolidated Pesticide Compliance Monitoring Program). The match requirement ranges from 12% to 19%. During the audit period, the Department expended \$112,832 of its federal awards for this program. The Division had historically supported the match with timesheets, however the timesheets were reportedly determined by the Division to be inadequate supporting documentation. The Division did not replace the use of the timesheets with other documentation of match.
6. The Division of Pesticide Control does not have adequate controls in place over the Performance Partnership Grant. Testing revealed that an expenditure of \$818 was requested twice for payment.

Without a thorough understanding of federal program requirements, and controls in place to ensure compliance with them, the Department faces an increased risk that they may become non-

compliant with federal requirements and suffer reduced funding and/or cancellation of current and future awards.

*Recommendation:*

The Department should review its contractual agreements with the Environmental Protection Agency and the United States Department of Agriculture, and should implement an internal control system sufficient to ensure that they are in compliance with all applicable requirements associated with these contracts. Department personnel who work with federal grants should familiarize themselves with the Office of Management and Budget (OMB) Circular A-102 (Common Rule), OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments), OMB Circular A-133 (Compliance Supplement), and other authoritative publications as specified in federal award materials. Knowledge of these materials will help the Department ensure that it is aware of the compliance requirements applicable to their programs, and provide the agency with the platform needed to implement an internal control structure sufficient to ensure compliance with the applicable requirements.

*Auditee Response:*

We concur, and will correct.

Item #1: The Director of the Division of Regulatory Services will provide a secondary review and approval of applicant eligibility and grant program expenditures.

Item #2: The Division of Pesticide Control has instituted a check through available State information to prevent use of parties that are listed as suspended or debarred.

Items #3, and 4: The Division of Regulatory Services will more closely monitor the completion of the federal reporting requirements as specified in its cooperative agreement. The incorporation of a secondary review and approval step by the division director will assure timely reporting.

Item #5: We concur in part, given that timesheets before, concurrent and following the audit were and are maintained by a portion of the individuals working in federally funded programs, and therefore, a proper match can be supported by those positions. However, timesheets for individuals that typically work in sporadic interaction with multiple federal activities need reinstating. The Division of Pesticide Control will adopt a viable timesheet for those individuals.

Item #6: We concur. As a correction, the Division of Pesticide Control made the adjustment in its March 2009 reimbursement request.

### **Observation No. 13: Comprehensive Information Technology Policies And Procedures Should Be Developed**

#### *Observation:*

The Department does not have comprehensive policies and procedures for the use of and reliance on information technology (IT) systems. A similar issue was noted in our prior audit report.

While the Department does not rely heavily on its automated IT systems for financial reporting purposes, there is a risk of loss of operational data that can affect the efficiency and effectiveness of Department operations. Most divisions keep automated databases of customer information, such as professional licenses and registered products. Without policies and procedures for maintaining and protecting that data, the Department is at an increased risk of loss or unauthorized alteration of that data.

During the six months ended December 31, 2008, the Division of Regulatory Services lost data when a computer crashed. The data was subsequently recovered with the help of the Department of Information Technology. A similar IT data loss event occurred in 2007, when the Department lost equipment inventory records. The Department was unable to fully recover that data. These events illustrate the need for established IT policies and procedures, including appropriate backup procedures, however the Department has not established such comprehensive IT policies and procedures.

#### *Recommendation:*

The Department should develop and implement comprehensive IT policies and procedures. These policies and procedures should be distributed to all applicable personnel, and monitored for compliance as appropriate.

#### *Auditee Response:*

We concur in part. It is no doubt desirable that the Department should have more comprehensive IT policies and procedures than it has at this time. But it should be noted that there are some Department IT policies in place, and the divisions each have policies and procedures developed to meet the IT uses and priorities of the divisions, which vary considerably. The Department's Continuity of Operations Plan (COOP) includes a section on database security, which is being implemented.

For example, the Division of Animal Industry downloads all data on its computers to removable storage on a weekly basis. The Division of Plant Industry has a program that runs scheduled back-ups every Wednesday evening, starting at 4:00 pm. The Division of Agricultural Development backs up essential databases and files daily, but not lower-priority files. With no IT staff in the Department, we rely on the Department of Information Technology (DoIT) and have had ongoing discussions with DoIT on policies and options that may be available within the Department's limited budget.



## **Observation No. 14: Written Agreements With Associated Entities Should Be Established**

### *Observation:*

The Department does not have written agreements or memorandums of understanding with entities administratively attached or otherwise associated with the Department.

The Board of Veterinary Medicine (Board) and the State Conservation Committee are included within the Department's budget. Funds are also budgeted and passed to the Veterinary Diagnostic Laboratory (Lab) at the University of New Hampshire from Department appropriations. The Department provides the Board with office space and budgeting, administrative, and clerical assistance, including payroll services. The State Conservation Committee is provided budgeting and limited clerical and administrative assistance. Any funds made available for the operation of the Lab are to be expended under the supervision of the Commissioner, in accordance with RSA 436:92.

The Department also provides office space to the Future Farmers of America and provides office and phone usage to the Granite State Dairy Promotion (GSDP). The Department typically bills the GSDP for phone usage monthly, however the Department did not bill the GSDP during the six months ended December 31, 2008.

Without written agreements, the Department's rights and responsibilities with regards to its associated organizations are not well defined. Misunderstandings between parties could occur that could be avoided with well-defined written agreements or memorandums of understanding. Written agreements for administratively attached agencies such as the Board are required by RSA 21-G:10, II, (a).

### *Recommendation:*

The Department should establish written agreements or memorandums of understanding with all associated organizations that define the rights and responsibilities of each party, including the scope of services to be provided as well as any compensation that is expected. The Department should regularly update these agreements, especially when significant modifications to the agreements occur.

The agreement with the Veterinary Diagnostic Lab should provide for the Commissioner's supervision of expenditures of funds made available for the Lab's operation, as directed by statute.

### *Auditee Response:*

We concur. The Department should ideally explore written agreements with its associated entities. We recognize that the statutory basis for the State Conservation Committee's relationship to the Department leaves some unanswered questions, which development of a

written agreement could help address. This matter was put on the agenda of the May 20 meeting of the State Conservation Committee, and was favorably received.

It should be noted that these associations have long histories—in some cases very long histories, and to this point remarkably few problems or misunderstandings have occurred. However, we have contacted the Department of Administrative Services to obtain template agreement language, and have begun the process of drafting agreements for the four entities, beginning with the Board of Veterinary Medicine.

### **Observation No. 15: The Department Should Set Fee Methodology In Rule**

#### *Observation:*

The methodology for setting and charging fees for exhibit space and for dormitory use at the Eastern States Exposition (Big E) Building is not set in rule. Total revenue in the Big E account for the six months ended December 31, 2008 was \$21,345.

The Department owns a building at the Eastern States Exposition grounds in Springfield, Massachusetts. The building is primarily used to provide exhibition space with a section of the building used as a dormitory.

One individual at the Department sets the fees for exhibition booths and dormitory beds at the Big E building without any documented basis for the amounts charged. Additionally, several dormitory beds are provided to volunteers, musicians, and demonstrators at no charge. Without documented criteria for complimentary use of the dormitory beds defined in rule, application of the policy can appear arbitrary and subject the Department to claims of preference or prejudice.

#### *Recommendation:*

The methodology for all fees the Department charges the public should be subject to the administrative rules process to ensure transparency and to avoid disputes over those fees. Proposed fees should be based on established criteria.

#### *Auditee Response:*

We partially concur. All Department fees are set by administrative rules or by statute - except for the cited instance of exhibit space and dormitory use at the New Hampshire Building at the Eastern States Exposition in Springfield, Mass. Based on the discussion with the auditors, the Division of Agricultural Development has established written policies for these fees, documenting the long-time practices which have been well understood and accepted by participants. We believe the written policies address any issues of transparency.

## Compliance Comments

### **Observation No. 16: Compliance With Statutory Provisions Regarding Department Funds Should Be Established**

#### *Observation:*

The Department is not in compliance with certain statutory provisions regarding Department funds.

Pursuant to RSA 430:31-b, regarding the Pesticides Training Program Fund, RSA 430:50, regarding the Integrated Pest Management Fund, and RSA 437-A:4-a, regarding the Companion Animal Neutering Fund, all interest received on investment of monies in the funds shall be credited to the funds.

- These three Department funds have never been credited with interest earned. According to the Department of Treasury, it is the responsibility of the Department to provide appropriate statutory reference and to request the posting of interest to funds. The Department has since been working with Treasury to affect the transfer of interest to these funds going forward.

RSA 431:8 IV requires, "...Penalty payments on lots of fertilizer which have been analyzed and found deficient and whose purchaser cannot be found shall be deposited in the general fund as unrestricted revenue."

- Collected penalty payments that were not paid to consumers were not transferred to an unrestricted revenue account. A balance of \$8,822 remains in the restricted revenue account.

RSA 435:34 requires, "All such fees [for permit to feed garbage to swine] shall be remitted to the state treasurer who shall place all moneys received to the credit of the state department of agriculture, markets, and food account for the purpose of carrying out the provisions of this subdivision."

- Fees for permits to feed garbage to swine are deposited into an unrestricted revenue account, and therefore are not available for carrying out the provisions of the RSA. While there was minimal revenue during the six months ended December 31, 2008 (\$40), the structure of the fund should reflect statutory requirements.

#### *Recommendation:*

The Department should establish policies and procedures to account for and report revenues in compliance with statute.

The Department should continue its communications with the Departments of Treasury and Administrative Services to enable effective fund administration.

*Auditee Response:*

We concur. Now that the Department is aware of these provisions and has communicated with the Treasurer's office, the staff is creating a list to take to Treasury and remedy this situation.

**Observation No. 17: Administrative Rules Should Be Adopted**

*Observation:*

The Department and the Board of Veterinary Medicine are not in compliance with several statutes requiring adoption of administrative rules pursuant to RSA 541-A. Some rules were not adopted, and many have expired as of December 31, 2008, including rules pursuant to the following:

1. RSA 332-B:7-a, Establishing and enforcing standards for veterinary facilities; and procedures for assessing, compromising, and collecting civil penalties.
2. RSA 425:19-c, The reports of premiums necessary to enable determination of the pro rata distributions to be made of sums distributed under this subdivision (Fund Distributions to Agricultural Fairs).
3. RSA 428:5, Exemptions from subdivision (Poultry Inspection) shall be in rule.
4. RSA 428:27, For carrying out provisions of subdivision (Sale of Eggs).
5. RSA 429:8, Beekeeping: I Standards for inspection of apiaries. II. Establishing fees for inspection of apiaries. III. Measures necessary for the control, eradication, prevention of the introduction, spread, or dissemination of any and all bee diseases. IV. Certifying imports of bees, and bee supplies or equipment. V. Control of American foulbrood disease of honeybees.
6. RSA 429:25, For carrying out the provisions of the chapter (Beekeeping and Maple and Honey Products).
7. RSA 431:13, Investigational allowances, definitions, records, distribution, storage, use, and application of fertilizers as may be necessary to carry into effect the full intent and meaning of this subdivision (Fertilizers).
8. RSA 431:32, Necessary to the proper enforcement and administration of this subdivision (Agricultural Liming Materials).
9. RSA 433:7, Various, paragraphs (a)-(m), including enforcement of the subdivision (New Hampshire Seed Law).
10. RSA 433-A:2, Necessary to the proper enforcement and administration of this chapter (Horticultural Growing Media).
11. RSA 433-B:5, I. The licensing of (Ginseng) growers under RSA 433-B:2, I. II. The registration of dealers under RSA 433-B:2, II. III. The harvesting and certification for export of ginseng under RSA 433-B:3. IV. Any other matters necessary to implement this chapter (Ginseng Production and Sale).
12. RSA 434:19, Establishing official grades of apples packed or repacked within the state, and may from time to time by rule amend or modify such grades.
13. RSA 434:40, As are necessary to carry out the purposes of this subdivision (Apple Marketing).

14. RSA 434:57, Necessary to carry out the intent of this subdivision (Minimum Producer Dairy Prices).
15. RSA 434:60, Necessary to administer this subdivision (Grading and Certification or Stamping of Native Lumber).
16. RSA 436-A:3, The State Veterinarian shall adopt rules for the administration of this chapter (Wildlife Disease Control).
17. RSA 437-A:5, II. Proof of eligibility under RSA 437-A:3 II. II-a. Administration of the fund established under RSA 437-A:4-a. III. Any other matter necessary for the administration of this chapter (Animal Population Control).

By allowing administrative rules to expire, the Department allows its processes and procedures to change over time without proper administrative and legislative oversight necessary to assure consistency with legislative intent. In addition, the Department does not provide the public with a description of administrative processes that can be utilized by the public to ensure a consistent and fair application of the Department's standards and requirements that may provide protection to the public.

The Department indicated that some of the above-noted requirements are no longer applicable due to the changing needs of the public, however, the requirement remains in current statute. Other expired rules have not been updated reportedly due to staffing and time constraints.

*Recommendation:*

The Department should ensure that rules exist for all statutorily required areas. The Department should review, update, and renew its expired administrative rules as appropriate. If during its review of statutory requirements the Department determines the required rules are no longer relevant or necessary, the Department should seek legislative change to eliminate the requirement for those rules.

*Auditee Response:*

We concur in part. We are very aware that the Department has a backlog of expired rules in need of attention. The Department has no staff with rule-writing skills to assist divisions with this responsibility, so it takes considerable time for staff to draft and revise rules. In the past, the Department has had part-time legal intern assistance with these duties, but it has been several years since it has had professional staff assistance with rules. The divisions have been working on getting caught up, with quite a few rules recently approved. We recently received an offer from an Administrative Rules staff member to assist the divisions with some rules training, and have scheduled a meeting for her to meet with the Department's directors. This should help speed the process up. We will continue to prioritize and address re-adoption of rules as resources permit.

Here are some specific responses to the list of expired rules.

1. The Board of Veterinary Medicine has recently adopted new rules. The board discussed these issues, and the recently approved rules include administrative fine provisions, but the Board elected not to include facilities at this time due to a lack of board capacity.
5. RSA 429:8, Beekeeping. The Division of Plant Industry has been making progress at updating and readopting rules for its programs, and this one is in line to be addressed.

Several of the cited expired rules involve programs that are defunct or dormant. These statutes remain on the books so that the programs are available for reinstatement if deemed necessary or desirable. For example,

2. RSA 425:19-c pertains to State funding to be distributed to the agricultural fairs. No such funds have been appropriated in recent decades, so rules have not been updated. The New Hampshire Fairs Association continues to seek restoration of State funding.
3. RSA 428:5 There is no State poultry inspection program thus no program rules, although the statute is still on the books in the event that the State will re-establish a State program.
12. RSA 434:19 provides for an apple marketing order for the growers in the State if they wish to organize as such. The apple growers voted to discontinue this activity, but the State and the growers want to keep this option open in the event conditions change and the growers wish to reinstate the activity.
16. RSA 436-A:3 says “the state veterinarian may authorize the application...” Wildlife disease vaccination is a relatively low priority rank, with little or no demand from wildlife interests. Writing rules for this program has thus not risen on the Department’s list of priorities.
17. RSA 437-A:5 Rules process was begun two years ago. Constant re-tooling of the Animal Population Control Program by the Legislature has made the process slow, though it is ongoing as staff time and prioritization allows.

The Division of Regulatory Services estimates that a minimum of three months of full-time staff time by a person skilled in the rulemaking process is necessary to complete the task of re-writing and re-adopting the administrative rules under the following statutes:

4. RSA 428:27 Eggs
6. RSA 429:25 Maple and Honey Products
7. RSA 431:13 Fertilizers
8. RSA 431:32 Agricultural Liming Materials
9. RSA 433:7 Seed
10. RSA 433-A:2 Horticultural Growing Media
12. RSA 434:19 Apples
15. RSA 434:60 Native Lumber

## **Observation No. 18: Required Reports Should Be Submitted**

### *Observation:*

The Department is not in compliance with various reporting requirements. Out of 15 statutorily required reports identified, 12 were not submitted, including:

1. RSA 17-J:4, Requires each State agency with capital budget projects shall submit a status report to the capital budget overview committee on the projects every 60 days.
2. RSA 425:13, Requires the Commissioner submit a report before December 31 of each even-numbered year, which shall include an account of the general work of the Department, the special teaching and that of the heads of the various departments under his jurisdiction, and information pertaining to the Department as may be of public and general interest. The report shall include such recommendations for legislative action as may be required, a statement of the total amounts of all revenues and expenditures, so classified as to show the amount expended in support of the several departments of work covered. The report shall be distributed to the town and public libraries of the State and to farmers, agriculturists, and others desiring it.
3. RSA 429:6, Requires the inspector of apiaries render a full and complete report of his work annually on or before July 1. This report shall be included in and made a part of the report of the Commissioner.
4. RSA 430:31 VI, Requires the Pesticide Control Board file a report annually with the Senate President and Speaker of the House of Representatives, for distribution to all State legislators, regarding the policies and goals of the Board and the enforcement of this subdivision.
5. RSA 430:31-b III, Requires the Department to submit an annual report to the Speaker of the House, President of the Senate, and the Governor and Council which shall include training and educational programs offered or contracted by the Division of Pesticide Control under the training program established by paragraph I of this section, the revenue generated from the program under paragraph II of this section, and the budget and revenue projections of the Division.
6. RSA 431:36 II, Requires the Commissioner shall report by October 1 of each year, to the House Environment and Agriculture Committee, the Senate Environment Committee, the House Finance Committee, and the Senate Finance Committee, a report of the use and current status of the Agricultural Nutrient Management Program Fund; work accomplished; number of grantees and the amount of the grant received by each; and effectiveness of the implementation of agricultural best management practices needed to more fully protect water quality.
7. RSA 432:6, Requires the Department, in its annual report, shall cover the administration of the soil conservation state plan and its operations for each year, including the expenditures of funds.
8. RSA 432:20 II, Requires the Agricultural Lands Preservation Committee prepare an annual report to be submitted to the Governor and Council which includes the number and geographic distribution of sites accepted and rejected, the acreage and costs of purchases, and such other information as will enable the program to be evaluated.

9. RSA 436:4, Requires the Commissioner shall, between September 1 and October 31 of each year report to the Governor and Council in detail the Division of Animal Industry work done during the preceding year.
10. RSA 437-A:2, Requires the Commissioner report annually relative to the progress of the animal population control program beginning on September 1, 1994.
11. RSA 437-A:9, Requires the Pet Overpopulation Committee submit an annual report of its findings and recommendations, including any proposed legislation.
12. RSA 438:7 VII, Requires the Commissioner report biennially on all of the Division of Weights and Measures activities under this chapter.

The Department was apparently unaware of many of the specific statutory reporting requirements and relied upon the submission of the Weekly Market Bulletin to satisfy most of the Department's reporting requirements. However, this document does not appear to address many of the details required in the above noted statutes.

*Recommendation:*

The Department should develop and implement policies and procedures that will promote reporting that is in compliance with statutory requirements.

If the Department determines that the current statutory requirements are no longer appropriate or may be satisfied in an alternative method, the Department should request appropriate revision to the statutes.

*Auditee Response:*

We concur in part. The Department was unaware of many of the specific reporting requirements contained in statute. It has operated on the basis of an understanding established by the previous Commissioner with Governor and Council some years ago, that the Weekly Market Bulletin would serve as the Department's reporting vehicle. Indeed, the Weekly Market Bulletin with around 8,000 electronic and mail subscribers, reaches many members of the Department's regulated and served communities, as well as many State government leaders, office-holders, and news media. The Bulletin contains many reports of activities and programs of the Department's divisions. However, in discussing the audit observation, we believe we can address many of the cited reporting requirements more directly, and in ways that would be of interest to Bulletin subscribers. We will need to review the mailing list to make sure that the required report audiences are receiving the Bulletin. We will also instruct the division directors to retain copies of the Bulletin in which their reports appear to document that they were made.

Our only capital projects involve maintenance work on the New Hampshire Building at Eastern States Exposition in Springfield, Mass. The Department of Transportation (DOT) handles these projects for us, serving as clerk, hiring the contractors, etc. We consulted with DOT, and they were unaware of this reporting requirement, how it would be filed, or what it would include. We will seek guidance from our Department of Administrative Services' Business Supervisor.



Two of the cited reports involve programs which have not had funding or specified activity to report. The Agricultural Lands Preservation program has not received funding for purchase of agricultural conservation easements since the 1990s. As with other statutes for inactive or less active programs, we wish to retain this one so that it could be funded in the future.

RSA 432:3 and the related reporting required in RSA 432:6 appear to be an obsolete reference to the federal soil conservation programs. There is no longer any “state plan” in these USDA programs, and the report requirement makes little sense in the context of how these federal programs are administered.

## **Independent Auditor's Report**

*To The Fiscal Committee Of The General Court:*

We have audited the accompanying Statement of Revenues and Expenditures, General and Capital Projects Funds, of the New Hampshire Department of Agriculture, Markets, and Food (Department) for the six months ended December 31, 2008. This financial statement is the responsibility of the management of the Department. Our responsibility is to express opinions on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statement of the Department is intended to present certain financial activity of only that portion of the State of New Hampshire that is attributable to the transactions of the Department. The Statement of Revenues and Expenditures, General and Capital Projects Funds, does not purport to and does not constitute a complete financial presentation of either the Department or the State of New Hampshire in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the matter discussed in the third paragraph, the financial statement referred to above presents fairly, in all material respects, certain financial activity of the Department for the six months ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the Statement of Revenues and Expenditures, General and Capital Projects Funds, of the Department. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 16, 2009 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office Of Legislative Budget Assistant

April 16, 2009

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF AGRICULTURE, MARKETS, AND FOOD  
STATEMENT OF REVENUES AND EXPENDITURES  
GENERAL AND CAPITAL PROJECTS FUNDS  
SIX MONTHS ENDED DECEMBER 31, 2008**

<u>Revenues</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Unrestricted Revenues</b>			
Economic Poisons Fees	\$ 660,906	\$ -0-	\$ 660,906
Device Licenses, Labwork Fees	298,779	-0-	298,779
Agricultural Feeds Fees	175,150	-0-	175,150
Agricultural Fertilizers Fees	119,195	-0-	119,195
Board Of Veterinary Medicine Fees	113,354	-0-	113,354
Other	<u>109,384</u>	<u>-0-</u>	<u>109,384</u>
<b>Total Unrestricted Revenues</b>	<b><u>1,476,768</u></b>	<b><u>-0-</u></b>	<b><u>1,476,768</u></b>
<b>Restricted Revenues</b>			
Conservation Plate Fees	232,887	-0-	232,887
Federal Pesticide Management And Pest Survey Grants	196,180	-0-	196,180
Horticulture Regulations Fees	175,150	-0-	175,150
Animal Population Control And Dog License Fees	111,290	-0-	111,290
Federal Specialty Crop Block Grant Program Grants	102,348	-0-	102,348
Pesticide Registration And Applicator Fees	98,739	-0-	98,739
Other	<u>109,488</u>	<u>-0-</u>	<u>109,488</u>
<b>Total Restricted Revenues</b>	<b><u>1,026,082</u></b>	<b><u>-0-</u></b>	<b><u>1,026,082</u></b>
<b>Total Revenues</b>	<b><u>2,502,850</u></b>	<b><u>-0-</u></b>	<b><u>2,502,850</u></b>
<b>Expenditures</b>			
Salaries And Benefits	1,243,860	-0-	1,243,860
Grants And Remuneration	491,732	-0-	491,732
Payments To Animal Hospitals/Veterinarians	176,821	-0-	176,821
Current Expenses	120,336	-0-	120,336
Transfers To Other State Agencies	59,050	-0-	59,050
Contracts For Program Services	51,562	-0-	51,562
In-State Travel	49,612	-0-	49,612
Indirect Costs	24,797	-0-	24,797
Other	33,299	-0-	33,299
Capital Projects	<u>-0-</u>	<u>110,668</u>	<u>110,668</u>
<b>Total Expenditures</b>	<b><u>2,251,069</u></b>	<b><u>110,668</u></b>	<b><u>2,361,737</u></b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b><u>251,781</u></b>	<b><u>(110,668)</u></b>	<b><u>141,113</u></b>
<b>Other Financing Sources (Uses)</b>			
Net Appropriations (Note 2)	<u>1,224,987</u>	<u>110,668</u>	<u>1,335,655</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>1,224,987</u></b>	<b><u>110,668</u></b>	<b><u>1,335,655</u></b>
<b>Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses</b>	<b><u>\$ 1,476,768</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 1,476,768</u></b>

The accompanying notes are an integral part of this financial statement.

**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statement of the New Hampshire Department of Agriculture, Markets, and Food has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Financial Reporting Entity**

The Department of Agriculture, Markets, and Food (Department) is an organization of the primary government of the State of New Hampshire. The Board of Veterinary Medicine (Board) is administratively attached to the Department, and is budgeted as part of the Department. Additionally, the Soil Conservation account of the State Conservation Committee (Committee) is included within the Department's budget. Therefore the Board and the Committee are considered to be part of the Department for financial reporting purposes. The accompanying financial statement reports certain financial activity of the Department, including the activity noted above.

The financial activity of the Department is accounted for and reported within the General and Capital Projects Funds in the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities, and fund balances are reported by fund for the State as a whole in the CAFR. The Department of Agriculture, Markets, and Food, as a department of the primary government, accounts for only a small portion of the General Fund, and those assets, liabilities, and fund balances as reported in the CAFR that are attributable to the Department cannot be determined. Accordingly, the accompanying Statement of Revenues and Expenditures, General and Capital Projects Funds, is not intended to show the financial position or fund balance of the Department in the General or Capital Projects Funds.

**B. Financial Statement Presentation**

The State of New Hampshire and the Department use funds to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Department reports its financial activity in the funds described below:

Governmental Fund Types:

*General Fund:* The General Fund is the State's primary operating fund and accounts for all financial transactions not specifically accounted for and reported in any other fund. All revenues of governmental funds, other than certain designated revenues, are credited to the General Fund.

Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

*Capital Projects Fund:* The Capital Projects Fund accounts for certain capital improvement appropriations which are or will be primarily funded by the issuance of State bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

### **C. Measurement Focus And Basis Of Accounting**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, except for federal grants, the State generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due.

### **D. Budget Control And Reporting**

#### *General Budget Policies*

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose, or that the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary fund types with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the budget and actual comparison schedule in the State of New Hampshire CAFR.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests to meet expenditures during the current biennium. Budgetary control is at the department level. In accordance with RSA 9:16-a, notwithstanding any other provision of law, every departments is authorized to transfer funds within and among all program appropriation units within said departments provided any transfer of \$2,500 or more shall require the prior approval of the Joint Legislative Fiscal Committee and the Governor and Council.

Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations lapse at year-end to undesignated fund balance unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as reservation of fund balance. The balance of unexpended encumbrances is brought forward into the next fiscal year. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. The Department's unliquidated encumbrance balance in the General Fund and Capital Projects Funds at December 31, 2008 were \$332,694 and \$50,888, respectively.

A Budget To Actual Schedule - General Fund is included as supplementary information.

## **NOTE 2 – NET APPROPRIATIONS**

Net Appropriations reflect appropriations for expenditures in excess of restricted revenues.

## **NOTE 3 - EMPLOYEE BENEFIT PLANS**

### *New Hampshire Retirement System*

The Department of Agriculture, Markets, and Food (Including the Board of Veterinary Medicine), as an organization of the State government, participates in the New Hampshire Retirement System (Plan). The Plan is a contributory defined-benefit plan and covers all full-time employees of the Department. The Plan qualifies as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. RSA 100-A established the Plan and the contribution requirements. The Plan, which is a cost-sharing, multiple-employer Public Employees Retirement System (PERS), is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to all members.

Group I members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of AFC multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service. Members in service with ten or more years of

creditable service who are between ages 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

All covered Department employees are members of Group I.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During the six months ended December 31, 2008, Group I members were required to contribute 5% and group II members were required to contribute 9.3% of gross earnings. The State funds 100% of the employer cost for all of the Department's employees enrolled in the Plan. The annual contribution required to cover any normal cost beyond the employee contribution is determined every two years based on the Plan's actuary. The Department's payments for normal contributions for the six months ended December 31, 2008 amounted to 8.74% of the covered payroll, or approximately \$72,000, for its group I employees.

A special account was established by RSA 100-A:16, II (h) for additional benefits. During fiscal year 2007, legislation was passed that permits the transfer of assets into the special account for earnings in excess of 10 ½ percent as long as the actuary determines the funded ratio of the retirement system to be at least 85 percent. If the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

The New Hampshire Retirement System issues a publicly available financial report that may be obtained by writing to them at 54 Regional Drive, Concord, NH 03301 or from their web site at <http://www.nhrs.org>.

#### *Other Postemployment Benefits*

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses within the limits of the funds appropriated at each legislative session. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the State's employees who were hired on or before June 30, 2003 may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired after July 1, 2003 to have 20 years of State service in order to qualify for health insurance benefits. These and similar benefits for active employees are authorized by RSA 21-I:30 and provided through the Employee Benefit Risk Management Fund, which is the State's self-insurance fund implemented in October 2003 for active State employees and retirees. The State recognizes the cost of providing these benefits on a pay-as-you-go basis by paying actuarially



determined contributions into the fund. The New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees also contributes to the fund.

The cost of the health benefits for the Department's retired employees and spouses is a budgeted amount paid from an appropriation made to the administrative organization of the New Hampshire Retirement System. Accordingly, the cost of health benefits for retired Department employees and spouses is not included in the Department's financial statement.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate, in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The ARC and contributions are reported for the State as a whole and are not separately reported for the Department.

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF AGRICULTURE, MARKETS, AND FOOD  
BUDGET TO ACTUAL SCHEDULE - GENERAL FUND  
SIX MONTHS ENDED DECEMBER 31, 2008**

<u>Revenues</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Favorable(Unfavorable) Variance</u>
<b>Unrestricted Revenues</b>			
Economic Poisons Fees	\$ 760,000	\$ 660,906	\$ (99,094)
Device Licenses, Labwork Fees	594,000	298,779	(295,221)
Agricultural Feeds Fees	225,000	175,150	(49,850)
Agricultural Fertilizers Fees	140,500	119,195	(21,305)
Board of Veterinary Medicine Fees	104,500	113,354	8,854
Other	<u>346,235</u>	<u>109,384</u>	<u>(236,851)</u>
<b>Total Unrestricted Revenues</b>	<b><u>2,170,235</u></b>	<b><u>1,476,768</u></b>	<b><u>(693,467)</u></b>
<b>Restricted Revenues</b>			
Conservation Plate Fees	242,502	232,887	(9,615)
Federal Pesticide Management And Pest Survey Grants	366,927	196,180	(170,747)
Horticulture Regulations Fees	238,552	175,150	(63,402)
Animal Population Control And Dog License Fees	319,221	111,290	(207,931)
Federal Specialty Crop Block Grant Program Grants	-0-	102,348	102,348
Pesticide Registration And Applicator Fees	76,000	98,739	22,739
Other	<u>34,690</u>	<u>109,488</u>	<u>74,798</u>
<b>Total Restricted Revenues</b>	<b><u>1,277,892</u></b>	<b><u>1,026,082</u></b>	<b><u>(251,810)</u></b>
<b>Total Revenues</b>	<b><u>3,448,127</u></b>	<b><u>2,502,850</u></b>	<b><u>(945,277)</u></b>
<b><u>Expenditures</u></b>			
Salaries and Benefits	2,396,293	1,243,860	1,152,433
Grants And Remuneration	557,982	491,732	66,250
Payments To Animal Hospitals/Veterinarians	310,000	176,821	133,179
Current Expenses	290,590	120,336	170,254
Transfers To Other State Agencies	94,217	59,050	35,167
Contracts For Program Services	63,363	51,562	11,801
In-State Travel	87,100	49,612	37,488
Indirect Costs	30,734	24,797	5,937
Other	<u>242,752</u>	<u>33,299</u>	<u>209,453</u>
<b>Total Expenditures</b>	<b><u>4,073,031</u></b>	<b><u>2,251,069</u></b>	<b><u>1,821,962</u></b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>			
	<b><u>(624,904)</u></b>	<b><u>251,781</u></b>	<b><u>876,685</u></b>
<b>Other Financing Sources (Uses)</b>			
Net Appropriations (Note 2)	<u>2,795,139</u>	<u>1,224,987</u>	<u>1,570,152</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>2,795,139</u></b>	<b><u>1,224,987</u></b>	<b><u>1,570,152</u></b>
<b>Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses</b>			
	<b><u>\$ 2,170,235</u></b>	<b><u>\$ 1,476,768</u></b>	<b><u>\$ (693,467)</u></b>

The accompanying notes are an integral part of this schedule.

## **Notes To The Budget To Actual Schedule - General Fund For The Six Months Ended December 31, 2008**

### **Note 1 - General Budget Policies**

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes annual budgets for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary fund types with the exception of the Capital Projects Fund.

The New Hampshire biennial budget is composed of the initial operating budget, supplemented by additional appropriations. These additional appropriations and estimated revenues from various sources are authorized by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances.

The budget, as reported in the Budget To Actual Schedule, reports the initial operating budget for fiscal year 2009 as passed by the Legislature in Chapter 262, Laws of 2007.

Budgetary control is at the department level. In accordance with RSA 9:16-a, notwithstanding any other provision of law, every department is authorized to transfer funds within and among all program appropriation units within said department, provided any transfer of \$2,500 or more shall require approval of the Joint Legislative Fiscal Committee and the Governor and Council. Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year-end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or are legally defined as non-lapsing accounts.

#### *Variances - Favorable/(Unfavorable)*

The variance column on the Budget To Actual Schedule highlights differences between the original operating budget and the actual revenues and expenditures for the six months ended December 31, 2008. Actual revenues exceeding budget or actual expenditures being less than

budget generate a favorable variance. Actual revenues being less than budget or actual expenditures exceeding budget cause an unfavorable variance.

Unfavorable variances are expected for revenues and favorable variances are expected for expenditures when comparing six months of actual revenues and expenditures to an annual budget.

**Note 2 – Net Appropriations**

Net Appropriations reflect appropriations for expenditures in excess of restricted revenues.

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF AGRICULTURE, MARKETS, AND FOOD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)  
SIX MONTHS ENDED DECEMBER 31, 2008**

Federal Catalog <u>Number</u>	<b>Federal Grantor</b> FEDERAL PROGRAM TITLE <i>Federal Grant Award</i>	<u>Expenditures</u>	Pass Thru <u>Percent</u>
<b>United States Department Of Agriculture (USDA)</b>			
<b>Animal And Plant Health Inspection Service</b>			
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE		
	<i>Cooperative Agricultural Pest Survey (CAPS) Program</i>	\$ 59,807	0%
	<i>High Path Avian Influenza (HPAI) Surveillance Program</i>	5,060	0%
	<i>Johnes Disease Surveillance Program</i>	2,896	0%
	<i>Scrapie Disease Surveillance Program</i>	415	0%
<b>United States Department Of Agriculture (USDA)</b>			
<b>Agricultural Marketing Service</b>			
10.163	MARKET PROTECTION AND PROMOTION		
	<i>Organic Certification Cost Share</i>	18,225	100%
10.169	SPECIALTY CROP BLOCK GRANT PROGRAM		
	<i>Specialty Crop Block Grant (SCBG)</i>	110,108	5%
10.###	OTHER		
	<i>Country Of Origin Labeling - Retail Surveillance</i>	3,600	0%
<b>United States Environmental Protection Agency (EPA)</b>			
<b>Office Of Administration</b>			
66.605	PERFORMANCE PARTNERSHIP GRANTS (PPG)		
	<i>New Hampshire Pesticide Program</i>	37,401	0%
<b>Office Of Enforcement And Compliance Assurance</b>			
66.700	CONSOLODATED PESTICIDE ENFORCEMENT COOPERATIVE AGREEMENTS		
	<i>Consolidated Pesticide Compliance Monitoring (CPCM) Program</i>	<u>75,431</u>	0%
<b>TOTAL FEDERAL EXPENDITURES</b>		<b><u>\$ 312,943</u></b>	

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**APPENDIX – CURRENT STATUS OF PRIOR AUDIT FINDINGS**

The following is a summary, as of April 16, 2009 of the current status of the observations contained in the audit report of the Department of Agriculture, Markets, and Food for the fiscal year ended June 30, 1995 and the six months ended December 31, 1995. A summary of the prior report can be accessed on-line at [www.gencourt.state.nh.us/lba/audit.html](http://www.gencourt.state.nh.us/lba/audit.html). A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

	<u>Status</u>		
<b><i>Department Of Agriculture, Markets and Food</i></b>			
<i>Material Weakness:</i>			
1. Inadequate Documentation Of Department Agency Fund Financial Activity	●	●	●
<i>Other Reportable Conditions:</i>			
2. Commingling Of Agency Funds	●	●	●
3. Eastern States Exposition Dormitory Revenue ( <i>See Current Observations No. 1 and No. 15</i> )	●	○	○
4. Nursery Stock Inspections	●	●	●
5. Annual Equipment Inventory And Records ( <i>See Current Observation No. 11</i> )	○	○	○
6. Payroll Processing Controls ( <i>See Current Observation No. 3</i> )	●	○	○
7. Expenditures Charged To Incorrect Organizations And Classes ( <i>See Current Observation No. 2</i> )	●	○	○
8. Animal Population Control Fees	●	●	●
9. Supporting Documentation For Animal Population Control Program	●	●	●
10. Electronic Data Processing Controls ( <i>See Current Observation No. 13</i> )	●	○	○
11. Deposit of Cash Receipts ( <i>See Current Observation No. 1</i> )	○	○	○
12. Restrictive Endorsement On Checks Received By The Department	●	●	○
13. Documentation Of Subscriptions To The Weekly Market Bulletin	●	●	●
<b><i>Board Of Veterinary Medicine</i></b>			
<i>Other Reportable Conditions:</i>			
14. Internal Controls ( <i>See Current Observation No. 6</i> )	●	○	○
15. Annual Equipment Inventory ( <i>See Current Observation No. 11</i> )	○	○	○
16. Payments To The Pharmacy Board ( <i>See Current Observation No. 9</i> )	○	○	○
<b><i>Department Of Agriculture, Markets and Food</i></b>			
<i>State Compliance:</i>			
17. Examinations For Weighmaster And Servicemen Licenses	●	●	●

	<u>Status</u>		
18. Licensing Dealers Of Live Poultry	●	●	●
19. Statements Of Financial Interests <i>(See Current Observation No. 8)</i>	○	○	○
20. No Approval For The Department To Establish Agency Relationships And Checking Accounts	●	●	●
21. Minutes Of Meetings Not Prepared	●	●	○
22. Preparation Of Required Reports <i>(See Current Observation No. 18)</i>	●	○	○
23. Expired Administrative Rules <i>(See Current Observation No. 17)</i>	●	○	○
24. Livestock And Meat Inspections	●	●	●
25. Agricultural Advisory Board	●	●	●
26. Establishment Of A Committee Created By Statute	●	●	●
<i>Federal Compliance:</i>			
27. Financial Recording And Reporting	●	●	●
28. Controls Over Match Documentation <i>(See Current Observation No. 12)</i>	○	○	○
29. Record Keeping For The Federal-State Research Grant	●	●	●
30. Record Keeping For The Shell-Egg Surveillance Program	●	●	●
<b><i>Board Of Veterinary Medicine</i></b>			
<i>State Compliance:</i>			
31. Statements Of Financial Interests	●	●	○
32. Annual Report	●	●	●
<b><i>Department Of Agriculture, Markets and Food</i></b>			
<i>Management Issues:</i>			
33. Strengthening The Department's Accounting Control Structure	●	○	○
34. Reorganization Of The Bureau Of Weights And Measures	●	●	○
35. Agricultural Product And Scale Testing Fund	●	●	●
36. Commercial Measuring Device Licenses	●	●	●
37. Use Of State-Owned Passenger Automobiles <i>(See Current Observation No. 5)</i>	●	●	○
38. Loaning Of The Department's Equipment To Non-State Organizations	●	●	●
39. Pullorum Testing Revenue Is Not Covering Costs	●	●	●

<u>Status Key</u>	●	●	○	<u>Count</u>
Fully Resolved	●	●	●	20
Substantially Resolved	●	●	○	5
Partially Resolved	●	○	○	8
Unresolved	○	○	○	6