

JOINT LEGISLATIVE FISCAL COMMITTEE

Legislative Office Building, Rooms 210-211

Concord, NH

Thursday, September 14, 2023

MEMBERS PRESENT:

Representative Kenneth Weyler, Chair

Representative Keith Erf

Representative Maureen Mooney (Alt.)

Representative Mary Heath (Alt.)

Representative Dave Huot (Alt.)

Representative Gerald Griffin (Alt.)

Senator James Gray

Senator Jeb Bradley

Senator Regina Birdsell

Senator Lou D'Allesandro

Senator Cindy Rosenwald

(1) Acceptance of Minutes of the August 11, 2023 meeting

KENNETH WEYLER, State Representative, Rockingham County, District #14 and Chairman: Good morning. It being 10 o'clock, I'll call the Fiscal Committee to order for Thursday, September 14, 2023. First item on the agenda is the acceptance of the minutes of the previous meeting from August 11th.

****** JAMES GRAY, State Senator, Senate District #06: So moved.

JEB BRADLEY, State Senator, Senate District #03: Second.

CHAIRMAN WEYLER: Senator Gray moves, Senator Bradley seconds that we adopt the minutes as written. Are you ready for the question? All in favor say aye? Opposed no? Those are adopted.

***** {MOTION ADOPTED}**

KEITH ERF, State Representative, Hillsborough County, District #28: So is that all the minutes?

CHAIRMAN WEYLER: August 11th.

REP. ERF: How about June 23rd and May 19th?

CHAIRMAN WEYLER: They've been approved.

REP. ERF: {Inaudible} my signature?

CHAIRMAN WEYLER: Yep.

REP. ERF: Even though I wasn't here? But -- okay.

(2) Old Business:

(3) RSA 14:30-a, III Audit Topic Recommendation by Legislative Performance Audit and Oversight Committee:

CHAIRMAN WEYLER: Okay. Moving on to Tab 3 from the Legislative Performance Audit and Oversight Committee. We have a request to do a performance audit of the Department of State's Division of Archives and Records Management, presented by Senator Rosenwald. Is there -- is there a second to adopt that recommendation?

SEN. GRAY: Second.

CHAIRMAN WEYLER: Second by Senator Gray. Further discussion? Seeing none. Do you find it? Wait till the Clerk gets -- gets to the right page. {Inaudible}.

REP. ERF: Yes, got them. All right.

CHAIRMAN WEYLER: So it was Rosenwald and Gray. All right. Are you ready for the question? All in favor say aye? Opposed no? The request is adopted.

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*** {MOTION ADOPTED}

CONSENT CALENDAR

- (4) RSA 9:16-a, II, Transfers Authorized:
- (5) RSA 9:16-c, I, Transfer of Federal Grant Funds:
- (6) RSA 14:30-a, VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from Any Non-State Source:
- (7) RSA 14:30-a, VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from Any Non-State Source, and RSA 124:15 Positions Authorized:

AMERICAN RESCUE PLAN 2021

CONSENT CALENDAR

- (8) RSA 14:30-a, VI Fiscal Committee Approval Required For Acceptance and Expenditure of Funds Over \$100,000 From any Non-State Source:

CHAIRMAN WEYLER: Excuse me. Tabs 4 through 8 are a Consent Calendar. I've already had requests to remove under Tab 6, Items 23-267, under Tab 7, 23-268, and under Tab 8, 23-251. Is there any other items to be removed from the Consent Calendar? Under Tab 7 was two -- 268, 23-268.

** SEN. GRAY: Move to accept the Consent Calendar as amended.

CHAIRMAN WEYLER: Motion by Senator Gray, second by Senator Rosenwald to accept it with those exceptions. Further discussion? Seeing none. Are you ready for the question? All in favor of adopting the Consent Calendar as

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proposed say aye? Opposed no? The rest of the Consent Calendar is adopted.

***** {MOTION ADOPTED}**

CHAIRMAN WEYLER: We will now move on on Tab 6, Item 23-267, and this is the Department of Health and Human Services. I see Mr. White is here to answer questions. Representative Erf is recognized for a question. This is about the disproportionate share for hospitals.

REP. ERF: Good morning. Thanks for being here. Um -- sorry. I have a couple questions. First, down on Page 3 towards the bottom there are two statements. The last sentence of number -- of statement number one is the UCC, which refers to the Uncompensated Care Cost, is then split evenly between state and federal funds; and then the next paragraph states the source of funds, the 100% Federal funds. So what's being split?

NATHAN WHITE, Chief Financial Officer, Department of Health and Human Services: Sure. Good morning, Members of the Committee. My name is Nathan White. I'm the Chief Financial Officer of the Department of Health and Human Services. This item here we are -- there's a couple of things going on, as you'll see in the series of tables.

Number one is we're accepting additional Federal funds. Number two -- into the Division of Medicaid Services' budget. Then you're seeing those funds transfer into New Hampshire Hospital's budget.

Um -- the funds that we're accepting, these -- these represent the -- the Uncompensated Care Costs. And so when New Hampshire Hospital to come up with the figures, they're looking at what were our expenses, what were the revenues that we received, and -- and there's a little bit more methodology to this, but then what is the difference. And that total difference from that 50% is state, if it was

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Medicaid and fifty -- or sorry -- federal and 50% was state. And so the funds that we're receiving here, these represent the uncompensated costs of the state.

And so there's -- there's two allotments that we're pulling from. One is from our 2019 audited DSH figures, which is about 3.4 -- I don't know -- about 3.4 million off the top of my head. And then the remaining amount is from 2021, the estimated amounts that we have. We still have several hundred thousand dollars in the future that we may come back to Fiscal for once we -- uh -- go through the audit process; but that is what that represents, Representative Erf.

REP. ERF: So when it says the source of funds 100% federal, how does that jive with what you just said?

MR. WHITE: The source of funds that we are accepting is 100 percent federal funds that we are receiving from the federal government as part of this program. The original expenses that the state incurred that were uncompensated were -- were 50% state, 50% federal; but what we're getting back is 100% Federal funds to cover the 50% of the state's side.

REP. ERF: Okay. So the federal funds are covering the state portion?

MR. WHITE: Yes, of uncompensated costs.

REP. ERF: Okay. So the bigger question I have is this makes reference to a Fiscal Note from 2022, and basically says we're doing everything in that -- pretty much everything -- I may not -- I may be a little bit inaccurate there, but many of the things that were in that note are now being funded in this note. I'm just wondering what happened to the \$5.6 million that was funded in that note from 2022?

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ELLEN LAPOINTE, Chief Executive Officer, New Hampshire Hospital, Department of Health and Human Services: Hm-hum.
Good morning. Ellen LaPointe, the CEO at New Hampshire Hospital. Thank you for the question.

So -- um -- in terms of the projects that are being funded, there were some of these projects that had to be unfunded and have the funding rerouted to make the ENF Construction Project, as well as the Forensic Hospital Construction Project whole. So that speaks to the vast majority of why -- um -- you're seeing some redundancy in some of these projects with our request.

REP. ERF: Thank you for that. Was there a separate thing that came through Fiscal that related to returns for those funds?

MR. WHITE: Yes. There was a separate item. We brought forward two items last -- it might have been last October to Fiscal for approval to cover some of the increased costs related to construction where we repurposed a portion of these funds. I don't remember off the top of my head. 857,000 is coming to mind for some reason. I can certainly provide that to the Committee if that would be helpful.

REP. ERF: Yeah, that be great. Send me --

MR. WHITE: Of course.

REP. ERF: -- the Fiscal notes that referenced what happened there. Thank you.

{Inaudible}.

CHAIRMAN WEYLER: Senator D'Allesandro moves to accept Item 267, and I believe it was Senator Birdsell seconds. Further discussion? Seeing none. Are you ready for the question? All in favor say aye? Opposed no? That item is adopted.

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***** {MOTION ADOPTED}**

CHAIRMAN WEYLER: The next item is removed from Consent is under Tab 7, and it's number 268. And, again, it's -- I recognize Representative Erf for a question.

REP. ERF: {Inaudible}. So my question here is down at the bottom of Page 3 it talks about the bottom line purpose of this initial grant here is to be eligible to apply for a four-year grant to actually do the work. And my question about that is is it known at this point that that -- that that we know non-federal funds used in the implementation of whatever that grant is if it's approved?

KATJA FOX, Director, Division for Behavioral Health, Department of Health and Human Services: So good morning. For the record, I'm Katja Fox. I'm the Director of the Division for Behavioral Health, and New Hampshire is eligible to apply for the four-year multi-million dollar grant at the end of the planning process. There were 15 grants that were awarded across the country similar to this one, and ten of those states will be eligible for that multi-million dollar grant in the future. It will be 100% federal funds.

REP. ERF: Thank you.

CHAIRMAN WEYLER: Further questions on Item 268?
Senator Gray.

SEN. GRAY: Not really a question, but we noticed that in this item the word retroactive is in there. Certainly, we are interested in making sure that all of these -- we even started the process early this year to make sure that we didn't have these. So, again, comment and, hopefully, there won't be anymore.

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CHAIRMAN WEYLER: I'll entertain a motion to adopt FIS 23-268. All right. Representative -- Senator Rosenwald moves, Senator D'Allesandro seconds to adopt Item 23-268. Is there any further discussion? Seeing none. Are you ready for the question? All in favor say aye? Opposed no? That item is adopted.

***** {MOTION ADOPTED}**

CHAIRMAN WEYLER: Excuse me. Last item removed from Consent is under Tab 7, 23-251. Under Tab 8. Excuse me. Last item on Tab 8. Looking now at FIS 23-251. I believe a Senator had a question on this. Representative -- Senator D'Allesandro.

LOU D'ALLESANDRO, State Senator, Senate District #20: Right, right. Thank you, Mr. Chairman. Director, nice to see you this morning. What -- what is the story on the fish hatcheries now. We had X number that we were going to look at. We were going to cut that down to a manageable number and refurbish those situations. And currently there's a discharge from the fisheries that's contaminating either the soil or the water. What's the story there? How are we dealing with that?

SCOTT MASON, Executive Director, New Hampshire Fish and Game Department: Good morning. My name is -- for the record, my name is Scott Mason, Executive Director, New Hampshire Fish and Game. Senator, we are still actively in litigation. As you reference, the discharge at the Powder Mill Hatchery over in New Durham, and we are still in active litigation on that. Um -- the judge has held his decision pending final negotiation between EPA and CLF and New Hampshire Fish and Game on how we're going to come into compliance with our new NPDES permit for the discharge over there.

So I still, you know, at this point we're still -- we're still in active litigation. So it,

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unfortunately, limits exactly what we can talk about until we finish that litigation.

I will say that we are -- uh -- actively working with EPA and CLF. I'm actually meeting with them tomorrow on this issue. Um -- and we are anticipating an agreement by the end of the year on how we will come into compliance with our new permit at New Durham.

Um -- we're currently working with our -- with New Hampshire Public Works Department on an RFQ for design project on rebuilding Hatchery. And we received two permits on the RF -- I'm sorry -- two proposals on the RFQ. And we are actively negotiating with our first choice. And I believe I would dare say we are making good progress and we anticipate being before the Governor and Council in December with a proposed contract for design on Hatchery, you know, rebuilding hatcheries then.

We are currently actively working on trying to reduce any discharges that we have. Our two hatcheries that, obviously the New Durham Hatchery -- um -- we have a problem there. And the other hatchery where we have a problem as far as the discharge goes is up in Berlin. And we're actively working at both hatcheries to try to reduce the discharges coming out of those hatcheries.

Um -- the -- the New Durham one we -- we're still not quite meeting the 12 parts per billion discharge permit that the NPDES permit has. Even with all of the changes that we've made there, changing our best management practices there, changing the type of feed we're feeding the fish. In Berlin we are actively looking at we have changed where we're keeping the fish and we are no longer actively discharging them to York Pond which is a water body that has phosphorous contamination issue.

SEN. D'ALLESANDRO: Further question, Mr. Chair.

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CHAIRMAN WEYLER: Further question.

SEN. D'ALLESANDRO: So when all of this is taken care of, how many fish hatcheries will -- will still be active?

MR. MASON: I don't have an exact figure at this time. Um -- the goal that we're going to have is to maintain current fish production. So regardless of whether I have three hatcheries or five hatcheries or six hatcheries, the goal the Governor's given to us is to maintain current total fish production.

The reason, you know, a lot of the reasons why we like to have hatcheries it's just easier for transportation and stocking of, you know, if I had one big hatchery in the central part of the state, it would -- we would have to change, you know, our fleet of trucks and we'd have to change the way we do some of our stocking. So for us -- um -- it's a little easier for us to have, you know, multiple hatcheries spread out through the state.

SEN. D'ALLESANDRO: Thank you. Thank you, Mr. Chair.

CHAIRMAN WEYLER: Further questions on the item. Seeing none. I'll entertain a motion to adopt.

** SEN. BRADLEY: Move to approve.

CHAIRMAN WEYLER: Okay. Motion by Senator Bradley, second by Senator Birdsell to adopt FIS 23-251. Further discussion? Seeing none. Are you ready for the question? All in favor say aye? Opposed no? The item is adopted.

*** {MOTION ADOPTED}

(9) RSA 21-I:42, VI, as amended by HB 2, Laws of 2023, Division of Personnel:

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CHAIRMAN WEYLER: Moving on to the Regular Calendar under Tab 9. First item is 23-258, Department of Administrative Services. Are there any questions on the item? Seeing none. Are you --

** SEN. GRAY: Move to adopt.

CHAIRMAN WEYLER: Okay, thank you. Senator Gray moves to adopt 23-258. Senator Bradley seconds. Further discussion? Seeing none. Are you ready for the question? All in favor say aye? Opposed no? The item is adopted.

*** {MOTION ADOPTED}

(10) RSA 21-I:42, VI, as amended by HB 2, Laws of 2023, Division of Personnel, and RSA 228:12 Transfers from Highway Surplus Account, and RSA 237:15-a, Transfers From the General Reserve Account:

CHAIRMAN WEYLER: Moving on to item under Tab 10, 23-259, Department of Administrative Services again.

** SEN. D'ALLESANDRO: Move to approve.

CHAIRMAN WEYLER: Senator D'Allesandro moves 23-259. Senator Birdsell seconds. Is there any further discussion? Seeing none. Are you ready for the question? All in favor of adoption say aye? Opposed no? The item is adopted.

*** {MOTION ADOPTED}

(11) RSA 162:T-5, Reporting and Approval Regarding Workforce Development Program

CHAIRMAN WEYLER: Next item is under Tab -- under Tab 11, the Regenerative Workforce Development Program, 23-270. Are there any questions on this item? Seeing none.

** SEN. GRAY: Move adoption.

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CHAIRMAN WEYLER: Okay. Senator Gray moves adoption.
Seconded by -- um --

MAUREEN MOONEY, State Representative, Hillsborough County, District #12: Second.

CHAIRMAN WEYLER: Representative Mooney. Further discussion. Let's see. I'm trying to remember now whether you're an alternate today. No, you are a full member.

DAVID HUOT, State Representative, Belknap County, District #05: {Inaudible}.

CHAIRMAN WEYLER: Okay. I should have accepted your second. Anyway, we have a motion and a second. Further discussion. Seeing none. Are you ready for the question? All in favor of adopting 23-270 say aye? Opposed no? The item is adopted.

***** {MOTION ADOPTED}**

(12) RSA 216-A:3-g Fees for Park System:

CHAIRMAN WEYLER: Moving on to Tab 10 -- excuse me, Tab 12 is 23-278, Department of Natural and Cultural Resources. This is the routine increase in the skiing levy. Any discussions? Senator Rosenwald for a question.

SARAH STEWART, Commissioner, Department of Natural and Cultural Resources: Good morning. Sarah Stewart, Commissioner of the Department of Natural and Cultural Resources. And I'm here with Greg Keeler who has worked at Cannon for a number of years and is stepping up to help an interim position while we look for our new mountain manager.

SEN. ROSENWALD: Thank you. Good morning, Commissioner. I'm happy to see that the price increases are really much

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smaller this year than last; but I just -- since you don't have it on the spreadsheet, what is the processing fee for the free season pass for New Hampshire residents over 65?

MS. STEWART: Thank you. Um -- so I'm going to take a crack at it and then I'll let Greg correct me. So there is no processing fee if you show up the day of and go to the window to get your free pass; but there is a processing fee if you choose to get a season's pass.

SEN. ROSENWALD: Right.

MS. STEWART: And that is \$44.

SEN. ROSENWALD: Thank you.

MS. STEWART: You're welcome.

** SEN. ROSENWALD: Move the item.

SEN. D'ALLESANDRO: Second.

CHAIRMAN WEYLER: Senator Rosenwald moves to adopt 23-278. Senator D'Allesandro seconds. Is there any further questions or further discussions from the Committee? Seeing none. Are you ready for the question? All in favor say aye? Opposed no? The item is adopted.

*** {MOTION ADOPTED}

(13) RSA 228:69, I, (b) Appropriation and Use of Special Railroad Fund:

CHAIRMAN WEYLER: Moving on to Tab 13, Item 23-271, Department of Transportation.

{Inaudible}.

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CHAIRMAN WEYLER: Okay. I think I heard it was Senator Birdsell moves to approve. Senator D'Allesandro seconds to adopt item 23-271. Is there any further discussion? Seeing none. Are you ready for the question? All in favor say aye? Opposed no? The item is adopted.

***** {MOTION ADOPTED}**

(14) RSA 363:28, III, Office of the Consumer Advocate:

CHAIRMAN WEYLER: Moving on to Tab 14, number 23-272, from the Office of Consumer Advocate.

**** SEN. D'ALLESANDRO**: Move the item.

CHAIRMAN WEYLER: Senator D'Allesandro moves to adopt. Second was, I believe, Senator Bradley, 23-272. Any further discussion? Seeing none. Are you ready for the question? All in favor say aye? Opposed no? We have adopted 23-272.

***** {MOTION ADOPTED}**

CHAIRMAN WEYLER: I now recognize the Legislative Budget Assistant for a request.

CHRISTOPHER SHEA, Deputy Legislative Budget Assistant, Office of Legislative Budget Assistant: Good morning. For the record, Chris Shea, Deputy Legislative Budget Assistant. I come before you today to request the Fiscal Committee approve our hiring two auditors within our Audit Division.

**** SEN. GRAY**: Move to approve.

SEN. BRADLEY: Second.

CHAIRMAN WEYLER: Senator Gray moves to approve the request. Senator Bradley seconds. Any further discussion?

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Seeing none. You ready for the question? All in favor say aye? Opposed no? Permission is granted.

MR. SHEA: Thank you.

***** {MOTION ADOPTED}**

(15) Miscellaneous:

(16) Informational Materials:

CHAIRMAN WEYLER: Informational Materials. Any Members wish to have anybody -- Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Mr. Chairman. Item -- Item 15, Miscellaneous, the New Hampshire Youth Development Center Claims Administration and Settlement Fund. I was under the impression that they were going to come today and give us an update on where things stood with regard to what happened with the settlement -- with the settlement. How many cases have been adjudicated; how many cases have been settled by the Administrator, the amount of money that's been expended, the amount of money that's left, and what the costs have been for managing this -- this administration up -- up to this point.

I have -- I have seen numerous articles that indicate that people have been contacted, and then the ball has been dropped and things have fallen apart. There was one -- these three women were -- were, I guess, initially contacted, interviewed, and then it's -- what's happened it seems like that the case has fallen through the cracks.

Two things are happening. The statute of limitations is coming rather quickly and our decision with regard to the program at the end of it is coming rather quickly.

Now, we've been told, again, this is anecdotally, that the hundred million is not enough. Well, if it's not

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enough, how much has been spent? Where has the money been spent? Why is it -- why is it not enough money at this -- at this point in time? There's got to be a rationale for what we're doing -- uh -- and it seems to me we need to be updated on this. It's our responsibility. We voted to put this in place, and we -- we ought to be making sure that it works. And at this point in time, it -- it doesn't seem to be -- to be working.

There's -- there's one case that was settled, and I believe there's a suit in place against the person who settled it because it was supposedly the case of another person. And so there's a lot of controversy around this situation. We need some clarity on what's going on. This is a major situation facing our state.

CHAIRMAN WEYLER: Very expensive, yes. Mr. Shea, can you fill us in? Obviously, we have no item in the -- in the book.

MR. SHEA: So as the members that -- um -- received the e-mail, I think from Mike Kane, the Attorney General and the Administrator for the settlement fund are discussing, based on the last Fiscal Committee meeting, some ideas for potential changes, improvements, some which may need a legislative change, and they weren't ready to come before Fiscal today.

Um -- we had put that our on agenda. We had left it there because at the time we weren't sure if we were going to get something. So I think the intention was that they may come back next meeting. But they do report on a quarterly basis to some of the issues that Senator D'Allesandro is concerned about in terms of the number of settlements and the costs that have been -- um -- to the fund to that date for that quarter.

CHAIRMAN WEYLER: There was a request for a private meeting, I believe, but it couldn't be with the whole

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Committee because that would be illegal. But are there any people that are particularly interested in this that would like to be in on this meeting? Thank you.

SEN. GRAY: Comment on that.

CHAIRMAN WEYLER: Yeah.

SEN. GRAY: I had made the suggestion that, you know, they meet with Republican Caucus and the Democratic Caucus which is allowed under RSA 91-A and will accomplish what we're intending to do. So that has been the suggestion that I put out there and would accomplish, I think, what we need to happen.

CHAIRMAN WEYLER: Thank you. I'll see if that's possible. Just we're talking about the caucus of the Members of the Committee.

SEN. GRAY: Yep.

CHAIRMAN WEYLER: Yep. All right. I'll see if we can arrange that. Anything further on that item? Representative Mooney.

REP. MOONEY: Thank you, Mr. Chairman. I recall the Administrator of the fund was here recently. Was that as recent as last month?

CHAIRMAN WEYLER: Yes.

REP. MOONEY: Thank you.

CHAIRMAN WEYLER: He gave -- he had a fairly extensive request for changes to the -- to the rules, which we granted. And he also had a fairly lengthy discussion of the procedure as it's moving forward. And we also had quite a list of numbers of people they expected to come forward,

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and it was fairly extensive the number of cases that they had preliminarily discussed.

As Senator D'Allesandro has mentioned, we knew that this has been ongoing for quite some time and expected to make further progress at this meeting but so far nothing. But we will have those meetings. We'll set them up, and we'll let everybody, hopefully, will come to some conclusion. So are there any other items under Information that people would like to have information on? Seeing none. I guess we're ready for review of the audit.

AUDITS:

CHAIRMAN WEYLER: I guess we are finishing up earlier than the Audit Division expected we would.

MR. SHEA: {Inaudible}.

CHAIRMAN WEYLER: Yeah, I know they're on their way. I was delighted to finally find out that they're having an audit on this vendor.

REP. ERF: So we have to do this again?

CHAIRMAN WEYLER: Yep.

SEN. GRAY: Does the Chair want to take a five-minute recess?

CHAIRMAN WEYLER: Yeah, why don't we do that. Five-minute recess.

(A recess was taken.)

(Reconvened.)

CHAIRMAN WEYLER: Good morning. We took a five-minute recess. So we'll -- should have everybody back shortly.

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Good morning and welcome to the Audit Division to present an audit on the Internal Control Review of Vendor Accounts. Thank you.

CHRISTINE YOUNG, Director, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, Members of the Committee. For the record, I'm Christine Young, Director of Audits for the LBA, replacing Steve Smith who, as you know, retired this past summer. We're here to present our assessment of the internal controls in place over the establishment and maintenance of the State's vendor accounts.

Jim LaRiviere, Senior Manager with our office, was the in-charge manager on this audit. He'll present the report. And also joining us from the Department of Administrative Services is Sheri Rockburn and Dana Call, who will be available to answer questions. And, with that, I'll turn it over to Jim for the presentation.

CHAIRMAN WEYLER: Thank you.

JIM LARIVIERE, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Thank you. Good morning, Chairman Weyler, and Members of the Committee. Again, for the record, my name is Jim LaRiviere. We are here to present our report on our assessment of the internal controls in place over the State's process of establishing and maintaining vendor accounts during the nine months ended March 31st, 2022.

If you turn to the Table of Contents, you will see the Executive Summary, Background, and our Audit Objective Scope and Methodology are located on Pages 1 through 7. There has been no prior audit of this specific audit topic. The report contains 14 findings and recommendations. One finding, Observation No. 6, has an asterisk suggesting legislative action may be required.

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The Department of Administrative Services, State Treasury, and Administrative Office of the Courts provided auditee responses which follow each finding in this report. The Department concurred fully with all Observations, except for Observation No. 7. The Department concurred in part.

Moving on to the background section on Page 3, the Department of Administrative Services has primary responsibility for the administration and management of establishing and maintaining vendor accounts in the State of New Hampshire's vendor Master File.

Vendor accounts are used in NHFirst, the State's financial accounting and reporting system, to pay the State's bills. For audit purposes, vendors are identified as all entities or individuals that will or may receive payment from the State processed through NHFirst. Vendors consist of businesses providing products or services to the state, grantees, employees reimbursed for travel or training, Medicaid or Medicare providers, jurors and witnesses, abandon property claimants, taxpayers and governmental entities.

It is essential to effectively maintain the vendor Master File to help prevent unauthorized activity, reduce the risk of fraud or errors and promote efficiencies.

During the audit period, the State used 17 vendor classes to categorize vendors by type. Some vendor classes were restricted to specific State Agencies. The number of vendors, status, and description of each vendor class is found on Pages 4 through 6.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards; and as noted on Page 7, the purpose of the audit was to determine whether the controls in place for establishing and maintaining

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state vendor accounts were properly designed, implemented, and operating effectively.

As reported in the Executive Summary on Page 1, we found that the State's internal controls were ineffectually designed, implemented and operated to provide reasonable assurance the control objectives, including vendor validation, set up, modification and maintenance were achieved.

The Observations begin on Page 9. Observation No. 1, we recommend the Department implement a plan to develop a secure self-service vendor portal that allows vendors to register, create a vendor account, provide documentation required, and update information as needed.

The current manual process for onboarding and updating vendor data relies mainly on data entry performed by State personnel and is inefficient and prone to errors. New Hampshire will soon be the only New England state that does not offer a self-service vendor option.

Observation No. 2 on Page 10 recommends the Department establish a formal risk assessment process to identify, analyze, and respond to risk, including performing an assessment of risk relative to the establishment and maintenance of vendor accounts.

Observations No. 3 and No. 4 beginning on Page 11 identifies the need for formal policies and procedures.

In Observation No. 3, policies and procedures would aid state personnel in the identification and assignment of vendors to the proper vendor class when new accounts are created.

Our testing of vendors who provide services and commodities to the state found that 25 vendors out of a sample of 75 vendors were placed into the incorrect vendor

class, which may result in inaccurate reporting of income to the vendors and the Internal Revenue Service for tax purposes. We also identified 147 duplicate active vendor accounts, increasing the risk for duplicate payments, other errors, or possibly fraud.

Observation No. 4 identifies the need for policies and procedures over vendor accounts that should be kept private or sealed.

Observation No. 5 on Page 13 recommends the Department establish a review and approval control procedure for the establishment of new NHFirst vendor accounts, and to make changes to existing -- existing information to help prevent vendors -- prevent errors or fraud from occurring without detection and correction. We noted errors in vendor data that likely would have been detected and corrected timely had an independent review and approval process been in place.

Observation No. 6 beginning on Page 14 noted that 44 out of 50 vendors who provide services and commodities to the State did not provide required Form W-9 request for tax identification numbers and certification form and five of those 50 vendors did not provide alternate W-9 application forms required by Administrative Rules.

Moving on to Observation No. 7. As noted in the detail at the bottom of Page 16, vendor income was not reported completely and accurately in accordance with Federal Law for tax reporting purposes. We recommend the Department establish controls over the Form 1099 vendor income reporting process to ensure compliance with federal tax requirements.

In Observation No. 8 located on Page 17, we recommend the Department continue to provide all State Agencies with guidance and training for establishing a new vendor, including when vendors require a State contract, what

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documentation should be obtained, and the retention policy for those documents. We also recommend establishing monitoring controls to ensure that State Agencies are complying with those requirements.

Observations No. 9 and No. 10 recommend the establishment of policies and procedures. Observation No. 9 calls for the Department to establish policies and procedures requiring the timely inactivation of vendor accounts that will no longer be used, and Observation No. 10 recommends the Department establish policies and procedures to properly restrict system user access permissions or mitigating controls if permissions cannot be restricted.

Observation No. 11 on Page 23 identifies errors in NHFirst vendor data and recommends the Department establish criteria to only update active accounts and do so in a controlled and timely manner to enhance data integrity and reliability.

Observation No. 12 on Page 24 recommends the Department first perform procedures during and after vendor establishment to ensure vendors are not federally debarred. Second, inactivate debarred vendor accounts in NHFirst; and third, keep the debarment listing on the Department's website current.

Observation No. 13 on Page 25 recommends the State Treasury and the Department work together to determine if a more efficient and secure vendor enrollment payment process can be developed using a self-service vendor portal.

Our final observation, Observation No. 14 on Page 26, recommends the Department work with the statutorily established Advisory Committee on State Procurement to address procurement and associated vendor issues and annually request a formal report of all findings and recommendations for proposed legislation.

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This concludes my presentation. We'd like to thank the Department of Administrative Services, State Treasury, and all the other agencies for their assistance and cooperation throughout the audit. Thank you.

CHAIRMAN WEYLER: Thank you. Questions? Uh -- I said -- statement from the Comptroller.

DANA CALL, State Comptroller, Department of Administrative Services: Good afternoon. Good morning. Good afternoon. Good morning. Dana Call, State Comptroller.

I want to echo thanks to the LBA for helping us with this effort in terms of pointing out areas where we can look to guide our policies in the future. This took probably a good, off and on, over a year, I think, of -- in a good way. They really dug into the deepest areas of our financial system. And given that we're looking to go forward with an upgrade to our financial system, this is a great tool to help us sort of set those policies now.

As you can see, some things did get decentralized over the course of the last several years, and we don't have a real strong control in DAS specifically. So this will give us the -- the bandwidth to work on that. So appreciate it and I am happy to take any specific questions in -- from my area.

CHAIRMAN WEYLER: Questions from Committee Members? Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you. Thank you. Nice to see you again.

MS. CALL: Good to see you, too.

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SEN. D'ALLESANDRO: Two days in a row.

MS. CALL: I know.

SEN. D'ALLESANDRO: Tell me about the capability of our system to adjust to these changes? Will it require new modules or what exactly is required? I remember the transition from the old system to this new system. And --

MS. CALL: Yeah.

SEN. D'ALLESANDRO: -- that was -- that was a cumbersome and tedious process which we've had many, many, many man hours to -- to figure. But how about this -- the reports? It's interesting but it indeed talks about, I think, very significant changes that have to be made. Are they costly? And how -- how is this going to happen?

MS. CALL: I mean, I will say that this is vendor creation. So we have very strong payment controls in terms of payments going out the door. Our -- our accounts payable system is very solid in that sense.

What we've done over the years is by policy allowed agencies or even divisions within DAS to have control of different stages of vendor creation. So what we're looking to do is sort of have a new workflow in the system that would allow, such as my division, to have sort of final approval on something from a tax perspective. We're the ones who have to determine who gets 1099 forms and the like. So sometimes if we are not in from the beginning of the process, we can't really fix it at the back end. But what we're looking to do is get -- insert our controls at the beginning of the process better so that we don't have as much correcting to do at the back end. I do think our system even today, but even more so when we upgrade, will allow us to do that.

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SEN. D'ALLESANDRO: Okay. Thank you. Thank you, Mr. Chair.

CHAIRMAN WEYLER: Senator Gray.

SEN. GRAY: So I took that as a partial response to seven on Page 16, 17. And, you know, you talk about decentralized and everything. Again, a lot of that seemed to fit in with your -- your previous statement. I'm interested in what we're doing to make sure it doesn't happen, okay, and whether that's a check, you know, at some point in the process, because these others are, you know, entering data or something. I always get concerned when I see, you know, agrees in part, okay.

MS. CALL: Right.

SEN. GRAY: And I always try to ask questions about that because there ought to be some kind of actionable item with a date certain that you're going to have a plan to fix it or whatever. So I'll shut up and let you talk.

MS. CALL: In -- in the internal control world, we -- we obviously we're never going to be 100% accurate is we want to try to set up controls to minimize the number of errors. Um -- I will say that we've had multiple audits directly from the IRS and we have fared pretty well in regards to 1099s and W-9s, and those buzz words that you hear from the IRS, which is, I guess, new for the state in my time. Because prior to my time, I don't think we had had any IRS audits. So I was a lucky one. But I -- I think that it's a continuous improvement cycle.

There is, you know, there are steps we can take to try to catch as many things as we can before they go out the door. And that's what we're looking to do is sort of bring some of that centrally so it's not so decentralized.

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We're a big organization. We pay a lot of bills and a lot of vendors as you can see, 200,000 plus active vendors. So there's a lot to manage. But, you know, our group, which is a relatively small group in accounting services, is gonna -- is gonna make every effort to try to stay on top of that. Did you have anything?

SHERI ROCKBURN, Assistant Commissioner, Department of Administrative Services: So just for the record, I'm Sheri Rockburn. I'm the Assistant Commissioner of the Department.

The only thing I want to echo in terms of Dana, and I think it responds to both Senator D'Allesandro and Senator Gray, is that last year your Committee had approved money for us to do the Infor upgrade of our financial system. In terms of what we get with that, one of the things that's part of that package is, as Jim had mentioned, a supplier vendor portal for them to do some -- some self-management and gather information, be more efficient. So a lot of the features that we're getting with the product that we've already are procuring has a lot of these things in it.

So as Dana said, this is sort of a really perfect timing in terms of getting this. So as we're working with our implementer with our new system, our upgrade, we can start to implement some of these changes with that. That's about a two-year -- year and a half, two-year implementation for the full upgrade. There'll be pieces that may come on board sooner than that; but that just gives us a little sense of, you know, what are we doing going forward in terms of systems. A lot of the things that are in this report are going to be addressed with the upgrades that automatically come with that product.

CHAIRMAN WEYLER: I have a question for Mr. LaRiviere. Um -- Observation No. 6 you have an asterisk saying legislative correction, but the write-up seems to indicate a rule change.

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MR. LARIVIERE: Right. We identified that one with an asterisk because we consider the Joint Legislative Rules Committee to be part of legislation. Is that --

CHAIRMAN WEYLER: Well, then on the last comment there, Department of Administrative Services' response, they say that they have changed it. And -- and -- uh -- and have changed that rule. Did that straighten out? What -- does that help with that Observation? Does it -- does it correct it or do we still need to try to do some legislation?

MS. YOUNG: Yeah, we think it does correct it.

MR. LARIVIERE: Yes.

MS. YOUNG: We think it does correct it.

CHAIRMAN WEYLER: I only have one more day to file. I want to make sure that {Inaudible} I get it right.

MR. LARIVIERE: Yes, we believe it does. But to be a hundred percent certain, I would want to go back and look at it to confirm and say that it does.

CHAIRMAN WEYLER: Okay. But, basically, it was the rule that you want to change rather than law.

MR. LARIVIERE: Correct, correct. It was the rule. It was the rule that was -- that we had seen the non-compliance with.

CHAIRMAN WEYLER: Okay.

MR. LARIVIERE: Correct.

CHAIRMAN WEYLER: Senator Rosenwald for a question. Same thing? Okay. Further questions from the Committee?

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I'm glad you found an area that had been overlooked for so long. Good work.

MR. LARIVIERE: Thank you.

CHAIRMAN WEYLER: 'Cause, obviously, when we find more inactive vendor accounts than we find active ones, something's been overlooked for a very long time. So good work.

MR. LARIVIERE: Thank you.

CHAIRMAN WEYLER: Representative Erf.

REP. ERF: {Inaudible}.

CHAIRMAN WEYLER: A motion.

** REP. ERF: Right. Move to accept, place on file and release to the public in the usual manner the --

SEN. GRAY: Second.

REP. ERF: -- audit.

CHAIRMAN WEYLER: Further discussion? Seeing none. Are you ready for the question? All those in favor say aye? Opposed no? The motion is adopted. Thank you for your good work.

*** **{MOTION ADOPTED}**

CHAIRMAN WEYLER: And I guess Administrative Services, you've got some catching up to do; but I guess they're on their way. This is always helpful that we find out things that we have overlooked for far too long. So good work. And we look forward to it being fixed.

(17) Date of Next Meeting and Adjournment

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CHAIRMAN WEYLER: Now we work on the date of the next meeting. I have requested that we go to a Thursday again, because I have a conflict on the -- on the Friday, the 20th, would have been the third Friday. Is there any problem with going to Thursday for the LBA?

MR. SHEA: We have no issue on that date.

SEN. GRAY: I have, I guess, in the morning, JLCAR; but we start at ten, so -- and then I'm an alternate on JLCAR. So as long as we do it in the morning, I can do that because Thursday afternoon the Retirement System meeting is scheduled for one.

CHAIRMAN WEYLER: You're busy.

SEN. GRAY: So it have to be the morning meeting.

CHAIRMAN WEYLER: So we could do 10 o'clock on Thursday the 14th.

REP. ERF: Nineteenth.

SEN. GRAY: Nineteenth.

CHAIRMAN WEYLER: Wait a minute. I'm in the wrong month here. {Inaudible}. Let me get to the right month.

REP. ERF: Nineteenth if I think you're shooting for.

CHAIRMAN WEYLER: Nineteenth, 19th. October 19th is acceptable. All right. Fiscal at 10 on October 19th. Thank you all very much. Is there anything else to come before us?

** SEN. BRADLEY: Move to adjourn.

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CHAIRMAN WEYLER: Motion to adjourn. Is there a second?

REP. ERF: Second, yes.

CHAIRMAN WEYLER: All in favor say aye? Opposed no? We are adjourned. That was pretty quick. Thank you very much.

(Meeting Adjourned.)

C E R T I F I C A T E

I, Cecelia A. Trask, a Licensed Court Reporter, do hereby certify that the foregoing transcript is a correct transcription from the YouTube recording of the proceeding in the above-entitled matter to the best of my professional skill and ability.

Cecelia A. Trask, RMR, RPR
NH-LCR#00047

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