

## **LBA Financial Audit Report Summary:**

**Department of Cultural Resources - Revenues Collected and Expenditures Paid for the Nine Months Ended March 31, 2007**

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### **Reporting Entity And Scope**

The reporting entity and scope of this audit and audit report are the revenues collected and the expenditures paid of the New Hampshire Department of Cultural Resources for the nine months ended March 31, 2007.

The report describes the financial activity of the Department of Cultural Resources, as it existed during the period under audit. The Department of Cultural Resources prepared auditee responses, unless otherwise indicated.

### **Organization**

The Department of Cultural Resources (Department) was established in 1985 by RSA 21-K by combining the previously separate State Library, Commission on the Arts, and Historic Preservation Office.

The Department operates under the direction of an unclassified Commissioner and is organized in three divisions: the Division of Libraries, the Division of the Arts, and the Division of Historical Resources. At March 31, 2007, the Department employed 70 full-time and four part-time employees.

### **Responsibilities**

In accordance with RSA 21-K:2, the Department is responsible for the following general functions:

- Providing information services to State government,
- Developing and coordinating a statewide library service network,
- Stimulating and encouraging public interest and participation in the study and presentation of the performing and fine arts, and
- Sponsoring State historic preservation activities.

The Department of Cultural Resources, through its three divisions, administers a variety of programs, which support local libraries, artists and art organizations, and historic preservation efforts throughout the State.

The Division of Libraries, pursuant to RSA 21-K:5, is responsible for the following functions:

- Operating a State library in order to provide general and specific reference services, including, but not limited to, services designed to assist the general court and the judicial branch.
- Operating the New Hampshire automated information system as provided for by RSA 201-A:22, I.
- Promoting and coordinating a statewide library system.
- Providing for library services for persons with disabilities.
- Otherwise administering the provisions of RSA Title XVI.

The Division of the Arts is responsible for administering the provisions of RSA 19-A, Council on the Arts, with the primary goal of supporting and promoting the arts in all of their manifestations.

The Division of Historical Resources is responsible for administering the State historic preservation program in accordance with RSA 227-C.

## **Funding**

The financial activity of the Department of Cultural Resources is accounted for in the General Fund of the State of New Hampshire.

A summary of the Department's General Fund revenues collected and expenditures paid for the nine months ended March 31, 2007 is shown in the schedule below.

|   | <b>General<br/>Fund</b>             |
|---|-------------------------------------|
| Total Revenues Collected  | \$ 2,001,025                        |
| Total Expenditures Paid   | <u>5,457,027</u>                    |
| <b>Excess (Deficiency) Of Revenues Collected<br/>Over (Under) Expenditures Paid</b> | <b><u><u>\$ (3,456,002)</u></u></b> |

**The auditor's report on the Department of Cultural Resources' financial statement was unqualified.**

**The audit report includes the auditor's report on internal control over financial reporting and on compliance and other matters and an auditor's report on other issues. The following is a list of the comments in the report.**

*Internal Control Comments*

*Significant Deficiencies*

- Controls Over Recording And Collecting Accounts Receivable Should Be Improved
- Federal Draw Down Procedures Should Be Adequately Segregated
- Allowable Costs Under Federal Awards Should Be Adequately Tracked And Documented
  
- Reimbursement Of Family Resource Connection Expenditures Should Be Requested Timely
  
- Controls Over Donation And Gift Receipt Process Should Be Improved
- Controls Over Payroll Should Be Strengthened
- Account Balances Should Only Be Brought Forward If Properly Authorized
- Written Agreements With Services Vendors Should Be Established
- Formal Fraud Risk Mitigation Efforts Should Be Developed And Implemented
- Formal Risk Assessment Policies And Procedures Should Be Established
- Responsibility For Cultural Assets Should Be Clarified
- Cultural Assets Should Be Properly Safeguarded
- Accounting For Cultural Assets Should Be Improved
- State Equipment Policies And Procedures Should Be Followed

*Compliance Comments*

*Federal Compliance*

- The Department Should Comply With Federal Reporting Requirements
- The Division Of Historical Resources Should Comply With Federal Program Requirements
- The Division Of Libraries Should Comply With Federal Requirements

*State Compliance*

- Required Administrative Rules Should Be Adopted
- The Department Should Comply With Or Seek Amendment To Applicable Statutes

*Management Issues Comments*

- Relationship Between The State Library And The Park Street Foundation Should Be Reviewed And Clarified
- The Department's Telecommuting Policies Should Be Strengthened
- Disaster Recovery And Continuity Of Operations Plan Should Be Implemented