STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME

FINANCIAL AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME

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* No audit comment suggests legislative action may be required.

Supplementary Information

This report can be accessed in its entirety on-line at www.gencourt.state.nh.us/lba/audit.html

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME

Reporting Entity And Scope

The reporting entity of this audit and audit report is the Glencliff Home. The scope of this audit and audit report includes the financial activity of the Glencliff Home for the fiscal year ended June 30, 2010. Unless otherwise indicated, reference to the Home or auditee refers to the Glencliff Home.

Organization

The Glencliff Home is an operating unit of the New Hampshire Department of Health and Human Services. The Home is under the executive direction of an Administrator who is appointed by the Commissioner of the Department of Health and Human Services.

The Home, located at the site of the former State Sanatorium in Benton, approximately 70 miles north of Concord, provides nursing home services to a resident, largely geriatric, population with psychiatric and/or developmental disability involvements.

At June 30, 2010, the capacity of the Home was 120 residents with a resident census of 114. The Home at June 30, 2010 was staffed with 165 full-time and four part-time employees.

Responsibilities

The Home's mission is to provide a continuum of services to New Hampshire's developmentally disabled and/or mentally ill population in a home-like atmosphere with an emphasis on independence, dignity, and acceptance.

The Home's mission is supported by the following goals:

- To provide residents of New Hampshire who have a chronic mental illness or a developmental disability and who need long term care with a safe, comfortable and therapeutic environment.
- To offer services to residents in the least restrictive environment.
- To coordinate an individualized care plan process that is based on the resident's choices and promotes the highest level of independence.
- To facilitate and encourage family involvement.
- To promote community integration and provide experiences to alleviate environmental isolation.
- To insure residents' health by coordinating efforts between long-term care, community and acute care.
- Strive to meet and exceed survey standards that assure resident quality of care and life.

The Home administers five fiduciary funds:

Patient Welfare Fund: The purpose of the Patient Welfare Fund is to purchase items or services that are for the benefit of the resident population as a whole. This fund is supported through donations and fundraising activities.

Patient Welfare Special Projects Fund: The Patient Welfare Special Projects Fund was established for the purpose of recording donation and fundraising receipts and disbursements designated for specific projects for the benefit of the resident population as a whole. The current project is an outdoor pavilion for the residents on the grounds of the Home.

Canteen Fund: The Home operates a canteen for the benefit of the residents. Snack foods and soft drinks are sold at the canteen and from vending machines. The purchase and sales activity of the canteen and vending machine operation is recorded in the Canteen Fund.

Resident Council Fund: The Resident Council Fund was established to raise, accept, and disburse funds for Council-directed purposes. The Resident Council (Council) meets monthly to provide residents an additional opportunity to voice concerns, express their opinions and make suggestions with the goal of providing residents with the best living environment. Council officers are residents elected by the residents. Monthly meetings are facilitated by a Home employee.

Patient Deposit Account: The Patient Deposit Account is an account that provides a custodial "banking system" for residents. A subaccount is established for each resident into which resident income items are deposited and from which resident-directed payments are made, including room and board and general personal expenses.

Funding

The financial activity of the Home is accounted for in the governmental and fiduciary funds of the State of New Hampshire.

A summary of the Home's revenues and expenditures recorded in the governmental funds for the fiscal year ended June 30, 2010 is shown in the following schedule.

Summary of Revenues and Expenditures
Fiscal Year Ended June 30, 2010

	General Fund	Capital Projects Fund	Total Governmental Funds
Total Revenues	$ 8,676,804	$ -0-	$ 8,676,804
Total Expenditures	$ 12,584,051	$ 166,006	$ 12,750,057
Excess (Deficiency) Of Revenues Over (Under) Expenditures	**$ (3,907,247)**	**$ (166,006)**	**$ (4,073,253)**

Prior Audit

The most recent prior financial audit of the Home was for the nine months ended March 31, 1997. The appendix to this report on page 35 contains a summary of the current status of the observations contained in that prior report. A copy of the prior audit 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.

Audit Objectives And Scope

The primary objective of our audit was to express an opinion on the fairness of the presentation of the financial statements of the Glencliff Home as of and for the fiscal year ended June 30, 2010. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we considered the effectiveness of the internal controls in place at the Home and tested its compliance with certain provisions of applicable laws, rules, regulations, and contracts. Major accounts or areas subject to our examination included, but were not limited to, governmental fund revenues and expenditures and fiduciary fund cash.

Our report on internal control over financial reporting and on compliance and other matters, the related observations and recommendations, our independent auditor's report, the financial statements, and supplementary information are contained 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 accompanying financial statements of the Glencliff Home (Home) as of and for the fiscal year ended June 30, 2010 as listed in the table of contents and have issued our report thereon dated April 14, 2011 which was qualified as the financial statements do not constitute a complete financial presentation of the Home in the General Fund or Capital Projects Fund. 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 Home's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Home's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described in Observations No. 1 through No. 10 that we consider to be significant deficiencies. A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Home’s financial statements are free of material misstatement, we performed tests of the Home’s compliance with certain provisions of laws, rules, regulations, and contracts, 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*.

The Home’s response is included with each observation in this report. We did not audit the Home’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 Glencliff Home, others within the Department of Health and Human Services, and the Fiscal Committee of the General Court and is not intended to be and should not be used by anyone other than these specified parties.

Office Of Legislative Budget Assistant

April 14, 2011

<u>Internal Control Comments</u>
<u>Significant Deficiencies</u>

Observation No. 1: Formal Fraud Deterrence, Detection, And Reporting Policy Should Be Established

Observation:

The Home has not established a formal fraud deterrence, detection, and reporting policy. The lack of a written policy may delay the detection and reporting of fraudulent activity.

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. Persons outside or inside the organization can perpetrate fraud for the benefit or to the detriment of the organization. Fraud runs the spectrum from minor employee theft and unproductive behavior to misappropriation of assets, fraudulent financial reporting, and intentional noncompliance with a law or rule leading to an undue benefit.

The attributes of an effective fraud deterrence, detection, and reporting policy include:

- The policy is in writing,
- The policy describes fraudulent activities and the actions required when fraud is suspected or detected,
- The policy is communicated to all employees, and
- Management obtains written assurance from each employee that the policy and related reporting mechanism is understood.

The effectiveness of a fraud deterrence, detection, and reporting policy is enhanced when employees have a clear understanding of fraud indicators and what constitutes a fraudulent act. It is important that the reporting procedure is non-threatening for the reporter and provides for the reasonable protection of all parties.

Recommendation:

The Home should establish a fraud deterrence, detection, and reporting policy and provide its employees with formal fraud awareness training. The Home should take measures to ensure that the policy facilitates and encourages reporting and protects all parties involved.

Auditee Response:

Concur. The Home completed a written fraud deterrence, detection, and reporting policy on April 18, 2011. Written assurance from each current employee that the policy and related reporting mechanism is understood will be completed by April 30, 2011. All new hires will be trained on this policy as part of the orientation procedure effective immediately.

Observation No. 2: Formal Rate Setting Methodology Should Be Established

Observation:

The Home reports there are no formal policies and procedures for the regular calculation of the Home's Medicaid billing rate. The Home's Medicaid billing rate is determined in a cooperative effort between the Home and the Department of Health and Human Services (Department) without the benefit of documented policies and procedures. The lack of documented policies and procedures likely has contributed to inconsistent practice in determining and applying the Home's Medicaid billing rates, including the use of obsolete fixed asset depreciation guidance and irregular retroactive Medicaid billings for fiscal year-end true-up adjustments.

The Medicaid billing rate for a nursing facility similar to the Home is generally based on the facility's Annual Cost Report, which details the facility's recoverable Medicaid costs. While State administrative rule and State Medicaid Plan require Medicaid nursing facilities to prepare and submit Annual Cost Reports to the Department, the Home is specifically exempted from that requirement.

The Home determines its Medicaid-eligible costs and preliminary Medicaid and private pay billing rates and submits the information to the Department, which establishes the initial rates. The Medicaid billing rate initially used for fiscal year 2010 was based on fiscal year 2008 costs, with some adjustments. The Home reports, for the most part, adjustments reflect estimates of anticipated events. There are no documented policies and procedures to support the calculation of the initial estimated rate or the implemented adjusted rate.

As discussed in Observation No. 3, the Home is able to recover eligible Medicaid costs not recovered in the original Medicaid billing rate, if appropriate, through a retroactive Medicaid billing. As of March 2011, the Home estimated the amount due related to previously unclaimed and under recovered Medicaid costs going back to July 1, 2006 was approximately $883,000.

Recommendation:

The Home and Department should establish a formal rate setting methodology for the Home. This methodology should be documented with policies and procedures that provide clear guidance on the determination and calculation of allowable costs including depreciation expense and the use of estimates, implementation dates, and the Medicaid and private pay billing rates.

The Home and Department should perform Medicaid retroactive billings as soon as practical, to ensure timely and complete collection of Medicaid's participation in the Home's program.

Auditee Response:

Concur. RSA 126-A:34, I (a) requires the Office of Reimbursements (OOR) make recommendations to the commissioner and to the superintendent of Glencliff Home as to the rates to be charged for the care, treatment, and maintenance of such patients, residents, or clients.

The Home will contact OOR and work with them to establish a formal rate setting methodology. Expected completion January 1, 2012.

Observation No. 3: Accounts Receivable Should Be Accrued In Accordance With State Policies

Observation:

The Home's determination and reporting of its June 30, 2010 accounts receivable did not fully comply with the State's accounts receivable policies and procedures.

According to the State's fiscal year 2010 *Annual Closing Review (Review)*, agencies were to report amounts due the State from private persons, organizations, other governments, or other State agencies for goods or services furnished by the State on or before June 30, 2010 and for which the State had not received payment by June 30, 2010. The methods for agency reporting depended upon whether the agency was using the State accounting system's billing and revenue module and also the expectation for timely collection. In the Home's case, accounts anticipated to be collected within the following 60 days were to be reported on an Exhibit K form and accounts anticipated to be collected sometime after 60 days were to be separately communicated to the Department of Administrative Services. The Home included on its Exhibit K an $83,000 account receivable that was not expected to be collected within the 60 day period and neglected to separately report certain other long-term receivables related to Medicaid true-up billings that the Home and Department of Health and Human Services (Department) had not drawn for payment from the Federal government.

As also discussed in Observation No. 2, as of March 2011, the Home estimated approximately $883,000 of previously unclaimed and under recovered Medicaid costs due to the Home, dating back to July 2006, would be recovered once the amounts had been reviewed, finalized, and requested from the Federal government. As the amount represents receivables that would not be collected within 60 days of year end, no adjustment to the accompanying financial statements was required.

Recommendation:

The Home should ensure that employees responsible for reporting accounts receivable at year end are knowledgeable of, and trained in, State policies and procedures for that reporting.

The Home and Department should, as soon as is practical, collect all additional Medicaid amounts due from the Federal government.

Auditee Response:

Partially concur. The $83,000 included on the Exhibit K above could have been reasonably expected within 60 days. In May 2010, the resident's representative had initiated an application for Medicaid and had received approval to sell the resident's real estate that had a Department recorded lien.

The Home agrees that accounts receivable owed the Home for Board and Care that will not be reasonably collected within 60 days should be communicated to the Department of Administrative Services as instructed in the *Review*, effective immediately.

Observation No. 4: Weekend Pay Differential Should Be Paid As Negotiated

Observation:

The Home pays employees who work the second and third shifts on a Friday, as well as employees who work any shift commencing on Saturday and Sunday, a weekend pay differential even though the State's current collective bargaining agreement (CBA) covering the Home's employees provides for weekend differentials for only Saturday and Sunday shifts.

According to section 19.12.5, of the CBA, Institutional Weekend Differential, "All full-time and part-time institutional employees who work on a shift which commences on a Saturday or a Sunday shall receive a weekend differential of one dollar ($1.00) per hour for all hours actually worked on that shift. This week-end differential is in addition to, but shall not be compounded by any other pay or premium pay provision of this Agreement."

According to the Home, the practice of paying weekend pay differentials for the second and third shifts on Fridays has been in place for a number of years. The Home was unable to provide documentation supporting authorization for the payment of differentials for these shifts. The Home paid a total of approximately $16,000 in shift differentials for employees working the second and third shifts on Fridays during fiscal year 2010.

Recommendation:

The Home should determine if it has the authority to pay weekend differentials in excess of the differentials provided for in the CBA. If the Home determines it has the authority, the Home should document the authority and determine whether the continued payment is appropriate. If the Home determines no current authority exists for these payments and the payments are necessary for its continued operations, the Home should seek authority to continue making the payments.

Auditee Response:

Concur. The Home has requested that language to address this issue be added to the Master CBA or to the Home's sub-unit section of the CBA. Negotiations are currently underway for the next contract. The Home will continue to pay employees weekend differential that work Friday second and third shifts, pending the end of negotiations, due to the fact that discontinuing the current payment practice would have significant negative impact at the Home.

Observation No. 5: Expenditures Should Be Made From Accounts Established For The Payments

Observation:

The Home charged two fiscal year 2010 motor vehicle expenditures to the Consultants class line in the Professional Care accounting unit. One of the two noted expenditures, for fleet auto insurance, has historically been charged to that account. The other expenditure, for the repair of a motor vehicle, was reportedly charged to that account due to an insufficient remaining budget amount in the proper account and the Home's perceived lack of time to request a transfer of funds to that account.

Recommendation:

The Home should pay vendors only out of the budgeted accounts established for those payments. If appropriations in the account are not sufficient, the expenditures should either not be made or transfers of appropriations should be requested prior to incurring those expenditures.

Auditee Response:

Concur. The Home will make appropriation adjustments through the Department of Health and Human Services' Department-wide transfer process to ensure appropriations are sufficient to cover estimated expenditures in each account and will use each account for its intended purpose.

Observation No. 6: Financial Transactions Performed On The Home's Behalf Should Be Reviewed

Observation:

While the Home generally did a good job in determining and reporting accounts payable at June 30, 2010, the Home missed accruing an accounts payable amount related to an invoice processed on its behalf by another State organization.

The Department of Administrative Services, Bureau of Public Works, reviews and approves vendor invoices for the Home's capital projects and forwards the invoices to the Home for further review and payment. During our test of expenditures, we noted $18,312 of a $19,138 July 13, 2010 contractor invoice related to fiscal year 2010 construction expenses. However, the entire invoice amount was recorded and paid as a fiscal year 2011 expenditure. The Home did not notice that the Bureau had not split the invoice into its fiscal year 2010 and fiscal year 2011 components.

Recommendation:

The Home should ensure that it reviews transactions processed on its behalf with the same level of critical review it uses for the transactions it processes itself. The Home should not assume that transactions processed on its behalf are error free.

Auditee Response:

Concur. The Home should have processed the invoice as an accounts payable for the Capital Project. We have reviewed this process with the financial staff and will review accounts payable documents for correct coding effective immediately.

Observation No. 7: Controls Over Patient Deposit Account Disbursements Should Be Improved

Observation:

The Home's current process for transacting and recording Patient Deposit Account (PDA) disbursement activity lacks adequate segregation of duties to reasonably ensure that errors or frauds that might occur would be prevented or detected and corrected in a timely manner.

While the Home has instituted segregation of duties controls over its financial activity, including activity in the PDA, one employee remains responsible for maintaining custody of the PDA petty cash funds, disbursing personal-allowance cash to residents, shopping for items as requested by residents, delivering items purchased on behalf of residents to the warehouse for receiving, and for posting that account activity in the financial records of the PDA. While members of the Home's management review and approve certain PDA activity reports, it is not clear the information normally provided to these reviewers would be sufficient to allow identification of any apparent errors, frauds, or abuse in that activity.

During fiscal year 2010, this employee was largely responsible for disbursing approximately $2,000 in cash from the PDA directly to residents and approximately $3,000 of resident-directed purchases made through debit card transactions charged to the PDA, without an effective review and approval control over that financial activity.

Recommendation:

Responsibilities for PDA disbursements should be further segregated so the employee responsible for custody of funds and assets, including disbursement of those funds and assets at the direction of residents, does not also have responsibility for recording those transactions.

If the Home is to continue with the current allocation of responsibility, the Home's reviewers and approvers of PDA activity should be provided with sufficiently detailed information and reports that will allow the review and approval function to effectively mitigate the risk that is incumbent in the current allocation of responsibility.

Auditee Response:

Concur. The Home initiated new procedures to further segregate the disbursement of resident funds effective April 1, 2011. A final policy will be adopted prior to June 30, 2011.

Observation No. 8: Timely Action Should Be Taken With Deceased Residents' Deposit Accounts

Observation:

At June 30, 2010, approximately $21,000 of the approximately $96,000 (22%) balance in the Glencliff Home's Patient Deposit Account (PDA) belonged to the estates of 25 deceased residents. The balances in those 25 accounts ranged from approximately $50 to $2,200.

Pursuant to RSA 151-A:15, if within 180 days after the date of a testate or intestate patient's death no petition for probate has been filed and the gross value of belongings is $2,500 or less, the nursing home administrator **shall file** (emphasis added) an Affidavit of Nursing Home Administrator (Affidavit) for the purpose of disposing of such deceased patient's estate. Based on a review of funds belonging to the estates of the 13 residents who died during the fiscal year 2010, the PDA at June 30, 2010 contained funds for five deceased residents for which the Home (as of January 14, 2011) had not filed timely Affidavits with the Probate Court.

- The Home had not filed Affidavits for the estates of two deceased residents (deceased August 2009 and May 2010) as the Home reported it understood the Department of Health and Human Services, Office of Reimbursements would file with the Probate Court to become the administrator of the estates. That action had not occurred as of January 14, 2011.

- The Home had not filed Affidavits for the estates of three deceased residents (deceased January 2010, September 2009, and December 2009) even though the Office of Reimbursements had reviewed the estates and determined the appropriate action was for the Home to file an Affidavit with the Probate Court.

In addition, due to the elapsed time, it is likely the estates of the 12 residents who died while resident at the Home prior to July 1, 2009 have also not been addressed timely, contrary to RSA 151-A:15. The lack of timely filing of Affidavits is contrary to statute and delays the final disposition of the funds in the deceased residents' estates.

Recommendation:

The Home should file timely Affidavits with the Probate Courts for estates subject to that process, pursuant to RSA 151-A:15. The Home should provide timely notice and require timely response from parties potentially interested in deceased residents' estates, including the Office of Reimbursements. Untimely response from those parties should not prevent the Home from making timely filings with the Probate Court.

Auditee Response:

Concur. The Home will contact the Estate Recovery Unit to establish a process for timely resolutions of the estates of deceased residents. Expected completion: January 1, 2012.

Observation No. 9: Reconciliations Of Bank Accounts Should Be Reviewed And Approved

Observation:

The Home's current bank account reconciliation process does not include an effective review and approval control. While the Home regularly prepares reconciliations between the financial activity reported in its accounting system to similar activity recorded in its bank accounts, no member of Home management reviews the reconciliations to ensure the reconciliations are completed timely and accurately.

The Home has five checking accounts at local banks to process financial activity related to the Patient Deposit Account, Patient Welfare Fund, Patient Welfare Special Projects Fund, Canteen Fund, and Resident Council Fund. During the fiscal year ended June 30, 2010, including intra-fund activity, approximately $927,000 was deposited into, and $932,000 was paid from, these checking accounts. At June 30, 2010, the Home reported the combined balance in these accounts was $38,622.

Since our last audit, the Home has taken steps to improve segregation of incompatible duties over these accounts to lessen risk. However, because the Home has not incorporated an effective review and approval control in its reconciliation process, management may not become aware in a timely manner of problems that would be detected in a more effective reconciliation procedure, including reconciliations that are not completed or completed timely. The Home has not established policies and procedures addressing the account reconciliation process.

Recommendation:

The Home should improve its controls over its bank accounts by establishing an effective review and approval control over its account reconciliation process. The employee responsible for performing this control activity should be suitably trained and have access to sufficient information to promote the effectiveness of the review and approval activity.

The Home should establish policies and procedures to support its bank account reconciliation process.

Auditee Response:

Concur. The Home has written and initiated a new policy and procedure establishing an independent review of bank reconciliations effective October 2010.

Observation No. 10: The Home's Business Office Should Provide Oversight To The Custodian Of The Patient Welfare Special Projects Fund

Observation:

The Home, with the approval of Governor and Council, established the Patient Welfare Special Projects Fund (Fund) for proceeds from fund raising activities intended to support special projects benefiting the residents. During the four months of fiscal year 2010 that the Fund was active, the custodian of the fund generally prepared monthly bank deposits even though the Home regularly made weekly or semiweekly trips to the bank.

According to RSA 6:11, II, "If more than $500 is in the possession of any state department or institution such funds shall be on deposit in the related department's bank account or in a treasury bank account….If any facility of any state department or institution is in a location where there is no bank or other depository institution within 10 miles of that facility, that state department or institution shall make deposits at least on a weekly basis or when funds remitted total $1,500 or more."

While other similar accounts at the Home are in the custody of the business office, this Fund is in the custody of a non-business office employee. It is unclear whether this employee has been provided with appropriate training, guidance, and supervision regarding State policies and procedures for maintaining funds and accounts.

Recommendation:

The Home's business office should provide training, guidance, and supervision to the employee custodian of the Fund to ensure that the custodian of the Fund and account is knowledgeable about and complies with State statute and policies and procedures related to that responsibility.

Auditee Response:

Concur. The Home reviewed the established Revenue Processing Procedures with all custodians of trust funds and will continue to do so annually.

In addition, the business office will provide regular guidance and supervision over the custodians' activities.

Independent Auditor's Report

To The Fiscal Committee Of The General Court:

We have audited the accompanying financial statements of the Glencliff Home (Home) as of and for the fiscal year ended June 30, 2010 as listed in the table of contents. The financial statements are the responsibility of the management of the Home. Our responsibility is to express opinions on these financial statements 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 Home'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 statements referred to above do not purport to and do not constitute a complete financial presentation of the Home in the General Fund or Capital Projects Fund 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 statements referred to above present fairly, in all material respects, certain financial activity of the Home as of and for the fiscal year ended June 30, 2010, 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 financial statements, referred to above, of the Home. 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 statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2011 on our consideration of the Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, 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 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 14, 2011

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME
STATEMENT OF REVENUES AND EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenues	General Fund	Capital Projects Fund	Total
Unrestricted Revenues			
Medicaid Reimbursement (Note 4)	$ 7,809,452	$ -0-	$ 7,809,452
Board And Care	857,381	-0-	857,381
Total Unrestricted Revenues	**8,666,833**	**-0-**	**8,666,833**
Restricted Revenues			
Meal Sales	9,971	-0-	9,971
Total Restricted Revenues	**9,971**	**-0-**	**9,971**
Total Revenues	**8,676,804**	**-0-**	**8,676,804**
Expenditures			
Salaries And Benefits	10,832,437	-0-	10,832,437
Current Expenses	490,137	-0-	490,137
Utilities	392,727	-0-	392,727
Food	302,375	-0-	302,375
Maintenance	165,216	-0-	165,216
Workers' Compensation	137,612	-0-	137,612
Medical Payments To Providers	111,692	-0-	111,692
Unemployment Compensation	50,163	-0-	50,163
Equipment	44,230	-0-	44,230
Consultants	42,134	-0-	42,134
Other	15,328	-0-	15,328
Facility Study - Plant Infrastructure Efficiencies	-0-	96,357	96,357
Patient Room Floor Abatement; Tunnel And Roof Repairs	-0-	57,566	57,566
Brown Building Lamott Wing Fire Alarm	-0-	10,400	10,400
Renovation And Moving Of Dietary Area	-0-	1,683	1,683
Total Expenditures	**12,584,051**	**166,006**	**12,750,057**
Excess (Deficiency) Of Revenues Over (Under) Expenditures	**(3,907,247)**	**(166,006)**	**(4,073,253)**
Other Financing Sources (Uses)			
Net Appropriations (Note 2)	12,574,080	166,006	12,740,086
Total Other Financing Sources (Uses)	**12,574,080**	**166,006**	**12,740,086**
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	**$ 8,666,833**	**$ -0-**	**$ 8,666,833**

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

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME
STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2010

	Patient Welfare Fund	Patient Welfare Special Projects Fund	Canteen Fund	Resident Council Fund	Total Private Purpose Trust Funds
ASSETS					
Cash (Note 3)	$ 18,553	$ 4,250	$ 3,521	$ 769	$ 27,093
Investments (Note 3)	71,979	-0-	-0-	-0-	71,979
Due From Canteen Fund	712	-0-	-0-	-0-	712
Inventory	-0-	-0-	2,257	-0-	2,257
Total Assets	**91,244**	**4,250**	**5,778**	**769**	**102,041**
LIABILITIES					
Due To Patient Welfare Fund	-0-	-0-	712	-0-	712
Total Liabilities	**-0-**	**-0-**	**712**	**-0-**	**712**
NET ASSETS	**$ 91,244**	**$ 4,250**	**$ 5,066**	**$ 769**	**$ 101,329**

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

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Patient Welfare Fund	Patient Welfare Special Projects Fund	Canteen Fund	Resident Council Fund	Total Private Purpose Trust Funds
ADDITIONS					
Donations And Fundraising	$ 8,438	$ 4,264	$ -0-	$ 1,092	$ 13,794
Interest Income	2,932	-0-	-0-	-0-	2,932
Transfer From Canteen Fund	712	-0-	-0-	-0-	712
Canteen Sales	-0-	-0-	25,419	-0-	25,419
Total Additions	**12,082**	**4,264**	**25,419**	**1,092**	**42,857**
DEDUCTIONS					
Purchases For Benefit Of Residents	28,891	-0-	-0-	-0-	28,891
Cost Of Goods Sold	-0-	-0-	25,151	-0-	25,151
Transfer To Patient Welfare Fund	-0-	-0-	712	-0-	712
Donations Made	-0-	-0-	-0-	616	616
Fundraising Expenses	-0-	-0-	-0-	46	46
Other	-0-	14	-0-	-0-	14
Total Deductions	**28,891**	**14**	**25,863**	**662**	**55,430**
Net Increase (Decrease)	**(16,809)**	**4,250**	**(444)**	**430**	**(12,573)**
NET ASSETS					
Beginning Of The Year - July 1, 2009	108,053	-0-	5,510	339	113,902
End Of The Year - June 30, 2010	**$ 91,244**	**$ 4,250**	**$ 5,066**	**$ 769**	**$ 101,329**

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

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
PATIENT DEPOSIT ACCOUNT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Assets:				
Cash (Note 3)	$ 125,092	$ 839,098	$ 868,468	$ 95,722
Liabilities:				
Custodial Funds Payable	$ 125,092	$ 839,098	$ 868,468	$ 95,722

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

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Glencliff Home have 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 Glencliff Home (Home), a component of the New Hampshire Department of Health and Human Services, is an organization of the primary government of the State of New Hampshire (State). The accompanying financial statements report the financial activity of the Home.

The financial activities of the Home are accounted for and reported in the State's General, Capital Projects, and Fiduciary Funds in the State'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 Home, as an organization of the primary government, accounts for only a small portion of the General and Capital Projects Funds and those assets, liabilities, and fund balances as reported in the CAFR that are attributable to the Home cannot be determined. Accordingly, the accompanying General and Capital Projects Fund financial statements are not intended to show the financial position or fund balance of the Home in the General and Capital Projects Funds.

B. Financial Statement Presentation

The State and Home 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 Home 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 in any other fund.

Capital Projects Fund: The Capital Projects Fund is used to account 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.

Fiduciary Fund Types:

Private-Purpose Trust Funds: A private-purpose trust fund reports resources of those trust fund arrangements in which principal and income benefit individuals, private organizations, or other governments. The Home's private-purpose trust funds are described below:

Patient Welfare Fund: The purpose of the Patient Welfare Fund is to purchase items or services that are for the benefit of the resident population as a whole. This fund is supported through donations and fundraising activities.

Patient Welfare Special Projects Fund: The Patient Welfare Special Projects Fund was established for the purpose of recording donation and fundraising receipts and disbursements designated for specific projects for the benefit of the resident population as a whole. The current project is an outdoor pavilion for the residents on the grounds of the Home.

Canteen Fund: The Home operates a canteen for the benefit of the residents. Snack foods and soft drinks are sold at the canteen and from vending machines. The purchase and sales activity of the canteen and vending machine operation is recorded in the Canteen Fund.

Resident Council Fund: The Resident Council Fund was established to raise, accept, and disburse funds for Council-directed purposes. The Resident Council (Council) meets monthly to provide residents an additional opportunity to voice concerns, express their opinions and make suggestions with the goal of providing residents with the best living environment. Council officers are residents elected by the residents. Monthly meetings are facilitated by a Home employee.

Agency Fund: An agency fund reports assets and liabilities for deposits and other investments entrusted to the State as an agent for others. The Patient Deposit Account is an agency fund accounted for by the Home.

Patient Deposit Account: The Patient Deposit Account is an account that provides a custodial "banking system" for residents. A subaccount is established for each resident into which resident income items are deposited and resident-directed payments are made, including room and board and general personal expenses.

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.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

D. Revenues And Expenditures

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either “general purpose” or “restricted”. General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g. federal grants), available only for specified purposes. Unused restricted revenues at year end are recorded as reservations of fund balance. When both general purpose and restricted funds are available, it is the State’s policy to use restricted revenues first. In the governmental fund financial statements, expenditures are reported by function.

E. Budget Control And Reporting

General Budget Policies

The statutes of the State 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 CAFR. The Fiduciary Funds are not budgeted.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. 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 at year-end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as a 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 Home's unliquidated encumbrance balance at June 30, 2010 in the General Fund and Capital Projects Funds were $42,115 and $286,392, 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 revenue.

NOTE 3 - CASH AND INVESTMENTS

Deposits

Custodial Credit Risk: The custodial risk for deposits is the risk that in the event of a bank failure, the deposits may not be recovered.

Whereas, the Home's fiduciary fund bank deposits are FDIC-insured for up to $250,000, custodial credit risk is essentially nonexistent. The following table provides the bank balance and carrying amount for each of the Home's bank accounts. The total bank balance represents amounts on deposit as reported by the banking institutions at June 30, 2010. The carrying amount represents the balance according to the Home's records at June 30, 2010. The difference between the bank balance and the carrying amount consists of checks and deposits that have not cleared the bank as of June 30, 2010.

Checking Accounts	Bank Balance	Carrying Amount
Patient Welfare Fund	$ 3,027	$ 3,027
Patient Welfare Special Projects Fund	4,250	4,250
Canteen Fund	3,521	3,521
Resident Council Fund	969	769
Patient Deposit Account	31,050	27,055
Total Checking Accounts	**42,817**	**38,622**
Savings Accounts		
Patient Welfare Fund	15,526	15,526
Patient Deposit Account	67,967	67,967
Total Savings Accounts	**83,493**	**83,493**
Total Deposits	**$ 126,310**	**$ 122,115**

The Home also maintains a $700 Patient Deposit Account petty-cash fund. The balance at June 30, 2010 was $700.

Foreign Currency Risk: Whereas all transactions are in U.S. dollars, there is no related foreign currency risk.

Investments

A portion of the Patient Welfare Fund is invested in a certificate of deposit with a local bank. At June 30, 2010 the fair value of that investment was $71,979. The certificate of deposit earns interest at 4.1% and is scheduled to mature June 26, 2012.

Custodial Credit Risk: The custodial risk for the certificate of deposit is the risk that in the event of a bank failure, the deposit may not be recovered.

Whereas, the Patient Welfare Fund’s certificate of deposit is with a bank and is FDIC-insured for up to $250,000, custodial credit risk is essentially nonexistent.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the value of investments.

The interest rate risk associated with the Patient Welfare Fund’s certificate of deposit is the risk that interest rates rise prior to the certificate’s maturity date.

NOTE 4 - MEDICAID REIMBURSEMENT

The amount reported as Medicaid Reimbursement is the federal share of the Home’s Medicaid Program costs.

Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA) increased the Federal medical assistance percentages (FMAPs) for Medicaid Program expenditures.

Under ARRA, the State's FMAP increased from 50% to 60.19% for the first quarter of State fiscal year 2010 and increased to 61.59% for the remaining three quarters of the fiscal year.

During the fiscal year ended June 30, 2010, the Home's Medicaid reimbursement included $1,430,789 of increased federal participation provided by ARRA.

NOTE 5 - EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The Home, 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 Home. 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 Home 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 fiscal year ended June 30, 2010, Group I members were required to contribute 5%, except for State employees whose employment began on or after July 1, 2009, contribute 7% 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 Home'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 Home's payments for normal contributions for the fiscal year ended June 30, 2010 amounted to 9.09% of the covered payroll for its Group I employees. The Home's normal contributions for the fiscal year ended June 30, 2010 were $632,959.

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 10.5% as long as the actuary determines the funded ratio of the retirement system to be at least 85%. If the funded ratio of the system is less than 85%, 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 and have 10 years of service, 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 and Retiree 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 Home's Medical Subsidy normal contribution rate for the fiscal year ended June 30, 2010 was 1.96% of the covered payroll for its Group I employees. The Home's contributions for the Medical Subsidy the fiscal year ended June 30, 2010 were $138,942.

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

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 Standard Board (GASB) Statement No. 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 Home.

NOTE 6 - LITIGATION

Merchand v. State of New Hampshire, Department of Health and Human Services - This case was brought by a former registered nurse at the Glencliff Home, who asserts claims for wrongful termination and denial of reasonable accommodations, pursuant to RSA chapter 354-A, as a result of an alleged disability. The case was filed on June 16, 2010, and trial has been scheduled for October 17, 2011. Discovery is ongoing. At this time, the State is unable to predict the outcome.

United States Department of Justice Investigation of the State's Community Mental Health System - As part of a nationwide initiative, the United States Department of Justice issued a report on April 7, 2011, alleging that New Hampshire has violated the Americans with Disabilities Act, as implemented by *Olmstead v. L.C.*, by failing to provide services to people with mental illness in the most integrated setting appropriate to their needs. This finding applies to individuals who are admitted to Glencliff Home and New Hampshire Hospital. In *Olmstead v. L.C.* (1999), the United States Supreme Court held that the "unnecessary segregation of individuals in institutions" constitutes illegal discrimination. The Court offered guidance recommending that states "develop a comprehensive, effectively working plan for placing qualified persons with mental disabilities in less restrictive settings." In 2008, New Hampshire created such a plan where it undertook a critical analysis of the State's mental health system and concluded that some improvements needed to be made. The resulting document, entitled "A Strategy for Restoration," established a ten-year timetable and budget for expanding a series of services and programs to enhance community integration for individuals with mental illness. It is important to note that the U.S. Department of Justice (USDOJ) did not question the quality of care and services being provided by the Glencliff Home, New Hampshire Hospital or the community mental health system. The USDOJ offered to enter into voluntary compliance negotiations with the State. The State disagrees with the USDOJ's findings and will provide a written response by the end of April 2011. At this time, it is not possible to predict the outcome of this matter or any possible fiscal impact.

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME

BUDGET TO ACTUAL SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenues	Original Budget	Actual	Favorable (Unfavorable) Variance
Unrestricted Revenues			
Medicaid Reimbursement (Note 3)	$ 6,570,661	$ 7,809,452	$ 1,238,791
Board And Care	932,537	857,381	(75,156)
Total Unrestricted Revenues	**7,503,198**	**8,666,833**	**1,163,635**
Restricted Revenues			
Meal Sales	14,500	9,971	(4,529)
Daycare Revenues	33,936	-0-	(33,936)
Rental Revenues	30,000	-0-	(30,000)
Total Restricted Revenues	**78,436**	**9,971**	**(68,465)**
Total Revenues	**7,581,634**	**8,676,804**	**1,095,170**
Expenditures			
Salaries And Benefits	11,816,842	10,832,437	984,405
Current Expenses	548,822	490,137	58,685
Utilities	436,854	392,727	44,127
Food	339,401	302,375	37,026
Maintenance	186,293	165,216	21,077
Workers' Compensation	126,502	137,612	(11,110)
Medical Payments To Providers	180,500	111,692	68,808
Unemployment Compensation	4,866	50,163	(45,297)
Equipment	85,002	44,230	40,772
Consultants	39,678	42,134	(2,456)
Other	18,910	15,328	3,582
Total Expenditures	**13,783,670**	**12,584,051**	**1,199,619**
Excess (Deficiency) Of Revenues Over (Under) Expenditures	**(6,202,036)**	**(3,907,247)**	**2,294,789**
Other Financing Sources (Uses)			
Net Appropriations (Note 2)	13,705,234	12,574,080	1,131,154
Total Other Financing Sources (Uses)	**13,705,234**	**12,574,080**	**1,131,154**
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	**$ 7,503,198**	**$ 8,666,833**	**$ 1,163,635**

The accompanying notes are an integral part of this schedule.

Notes To The Budget To Actual Schedule - General Fund
For The Fiscal Year Ended June 30, 2010

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 2010 as passed by the Legislature in Chapter 143, Laws of 2009.

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 fiscal year ended June 30, 2010. 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.

As previously noted, the unfavorable expenditure variances shown in the Budget To Actual Schedule represent the difference between actual expenditures incurred during fiscal year 2010 and the original budget in place at the beginning of fiscal year 2010. The State and the Home use supplemental appropriations to add appropriations to original budget amounts to reflect changes in levels of operations not provided for in the original budget. During fiscal year 2010, the Home's original expenditure budget amounts were supplemented by $132,000 of additional appropriations. The unfavorable variances on the Budget To Actual Schedule were supported by these supplemental appropriations.

Note 2 - Net Appropriations

Net appropriations reflect appropriations for expenditures in excess of restricted revenue.

Note 3 - Medicaid Reimbursement

The amount reported as Medicaid Reimbursement is the federal share of the Home's Medicaid Program costs.

Section 5001 of the American Recovery and Reinvestment Act of 2009 (ARRA) increased the Federal medical assistance percentages (FMAPs) for Medicaid Program expenditures.

Under ARRA, the State's FMAP increased from 50% to 60.19% for the first quarter of State fiscal year 2010 and increased to 61.59% for the remaining three quarters of the fiscal year.

During the fiscal year ended June 30, 2010, the Home's Medicaid reimbursement included $1,430,789 of increased federal participation provided by ARRA.

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
GLENCLIFF HOME
SCHEDULE OF BUDGET AND EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Chapter Law, Program	Budget	Expenditures July 1, 2009 - June 30, 2010
Chapter 145:1, VII, A, Laws of 2009		
Facility Study - Plant Infrastructure Efficiencies	$ 175,000	$ 96,357
Chapter 145:18, Laws of 2009		
Patient Room Floor Abatement; Tunnel And Roof Repairs	950,000	57,566
Chapter 145:17, IV (a), Laws of 2009		
Brown Building Lamott Wing Fire Alarm	175,000	10,400
Chapter 264:12, Laws of 2007		
Renovation And Moving Of Dietary Area	1,081,000	1,683
Chapter 259:1, VII, D, Laws of 2005		
Water Damage Repair Of Buildings	600,000	-0-
Chapter 145:17, IV (b), Laws of 2009		
Above Ground Oil Storage Compliance	92,000	-0-
Total	**$ 3,073,000**	**$ 166,006**

The accompanying note is an integral part of this schedule.

(Unaudited) Prior Period Expenditures	(Unaudited) Total Expenditures	(Unaudited) Unexpended
$ -0-	$ 96,357	$ 78,643
796,031	853,597	96,403
-0-	10,400	164,600
1,028,817	1,030,500	50,500
373,798	373,798	226,202
-0-	-0-	92,000
$ 2,198,646	**$ 2,364,652**	**$ 708,348**

Note To The Schedule Of Budget And Expenditures - Capital Projects Fund
For The Fiscal Year Ended June 30, 2010

Note - Capital Budget

Prior to May 2004, capital projects appropriations lapsed at the end of the biennium unless extended into the subsequent capital budget. Chapter 138, Laws of 2004 changed the two-year capital budget by establishing a six-year capital budget and amending sections of RSA 9. RSA 9:18 provides that all unexpended portions of capital appropriations made by the six-year capital budget are to lapse at the end of six-years from the date the appropriation took effect. However, legislative practice has been to continue extending the lapse dates for all approved projects through the subsequent biennium.

During the 2009 legislative session each of the projects initially budgeted in a previous biennium was extended through June 30, 2011, or consisted of obligations incurred by contract, in which case there was no lapse until the satisfaction or fulfillment of such contractual obligations.

Obligations incurred by contract are recorded as encumbrances when the contract is executed. Upon satisfactory fulfillment of the contracted services, the encumbrance is liquidated and the expenditure and liability are recorded. Subsequently, capital projects that have been allowed to legislatively lapse, will record expenditures in the following fiscal period to the extent contractual obligations were entered into prior to the project's lapse date.

APPENDIX - CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary, as of April 14, 2011, of the current status of the observations contained in the financial audit report of the Glencliff Home for the nine months ended March 31, 1997. 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.

	Status		
Internal Control Comment			
Reportable Condition			
1. Controls Over Revenue Processing	●	●	●
2. Accounting For Consumable Inventory	●	●	○
3. Controls Over Bank Account Reconciliations	●	●	●
4. Segregation Of Duties Over Payroll Procedures	●	●	●
5. Controls Over Equipment	●	●	●
6. Controls Over Expenditures	●	●	●
7. Controls Over The Patient Deposit Account	●	●	●
8. Controls Over The Canteen Fund	●	●	●
9. Documentation Of Authorization For Additional Personal-Needs Allowance	●	●	●
10. Controls Over The Mary Manning And Patient Welfare Funds	●	●	●
Compliance Comments			
State Compliance			
11. Valuation Of Land And Buildings	●	●	○
12. Submission Of Capital Budget Project Status Reports	●	●	●
13. Doctor's Account Not Approved Or Reported To The Department Of Administrative Services	●	●	●
Management Issue Comment			
14. Inefficient Transfer Of Money To The State Treasury	●	●	●
15. Court Approval Of Guardianship Fees	●	●	●
16. Excess Patient Deposit Account Petty Cash	●	●	●

Status Key				**Count**
Fully Resolved	●	●	●	14
Substantially Resolved	●	●	○	2
Partially Resolved	●	○	○	0
Unresolved	○	○	○	0

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