

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
(EXCLUDING CORRECTIONAL INDUSTRIES
AND DEPARTMENT TRUST AND AGENCY FUNDS)**

**AUDIT REPORT
FOR THE NINE MONTHS ENDED
MARCH 31, 1995**

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

INTRODUCTION

REPORTING ENTITY

The Department of Corrections at March 31, 1995 was comprised of four divisions. The structure of the Department is discussed in the following section. For the purpose of this audit and audit report, the reporting entity is the Department of Corrections of the State of New Hampshire, including the administratively attached Adult Parole Board and excluding Correctional Industries and the Department's trust and agency funds. The financial statements of the Department of Corrections - Correctional Industries, including the Vocational Training Fund, and the Department of Corrections - trust and agency funds excluding the Vocational Training Fund are subjects of separate audits and reports for the nine months ended March 31, 1995. Copies of these reports can be obtained from the Office of Legislative Budget Assistant, Audit Division, Room 102, State House, Concord, N.H. 03301.

BACKGROUND AND ORGANIZATION

The Department of Corrections was established on July 1, 1983 pursuant to RSA 21-H which merged the Departments of Probation and Parole and the New Hampshire State Prison into a single state agency. The Department of Corrections is charged with maintaining and administering correctional facilities and programs for the benefit and rehabilitation of inmates. In addition, the Department is responsible for the supervision of all individuals placed on probation or released on parole and acts as an advisor to law enforcement agencies and communities in the prevention of crime. The organizational structure as detailed by RSA 21-H is presented in a chart on page four.

The Department of Corrections is headed by a Commissioner who is appointed by the governor and serves as the Department's chief administrative officer. The Commissioner is responsible for the management of all Department operations, including the administration and enforcement of all laws by which he or the Department is governed.

The Office of the Commissioner is responsible for the overall administration and operation of the Department. The Office also oversees the four Divisions of Administration, Adult Services, Field Services, and Medical and Psychiatric Services. In addition, the Adult Parole Board, established by RSA 651-A, is administratively attached to the Office of the Commissioner.

INTRODUCTION (Continued)

DIVISION OF ADMINISTRATION

The Division of Administration provides personnel, contracts, grants, data processing, and fiscal management support to the Department. To effectively meet these responsibilities, the Division has established the Bureaus of Fiscal Management, Information Services, Personnel, and Offender Records.

Since inmates are not allowed to carry money, all inmate cash and checks must be turned over to the Department for deposit to their inmate account. Each inmate's finances are accounted for and managed by the Inmate Accounting section within the Division of Administration. Inmate Accounting also maintains three additional trust and agency funds, namely the Recreation, Canteen, and Television Funds. All of the trust and agency funds have been established for the benefit of the inmates at the New Hampshire State Prison, the New Hampshire State Prison for Women, the Lakes Region Facility and the Community Corrections Centers.

DIVISION OF ADULT SERVICES

RSA 21-H:4,III charges the Division of Adult Services with the responsibility for, "(a) The operation of the state prison and any other state adult detention facilities assigned to the department. (b) The operation of adult correctional community residential care facilities." The director of this Division also serves as the Warden of the New Hampshire State Prison. In addition to providing for the security of the prison, this Division also oversees the Lakes Region Facility, the Manchester and Concord Community Corrections Centers and the New Hampshire State Prison for Women.

DIVISION OF FIELD SERVICES

The Division of Field Services is responsible for the supervision of all probationers and parolees who have been ordered on supervision by the courts or the Parole Board. The Division has fourteen district offices which are responsible for supervising individuals within each district. In conjunction with the supervision function, the district offices are also responsible for collecting fines, restitution, and fees from offenders who are under the Division's jurisdiction. All money collected at the district offices is deposited daily into local bank accounts and then electronically transferred into a State Treasury account with the revenue posted to the General Fund probation holding account, also referred to as the Probation and Parole Fund. Each month amounts are paid out from the holding account either by checks or transfers to pay: restitution to the offenders' victims; fines, when paid in full, to the Administrative Office of the Courts; and collection, supervision, and attorneys' fees which are posted to the appropriate revenue source accounts in the New Hampshire Integrated Financial System.

INTRODUCTION (Continued)

DIVISION OF MEDICAL AND PSYCHIATRIC SERVICES

The Division of Medical and Psychiatric Services is responsible for the operation of the Secure Psychiatric Unit and the Health Services Center. The mental health section within the Division performs intake evaluations and offers such services and programs as Alcoholics Anonymous, Narcotics Anonymous, individual and group counseling, crisis intervention and management, and pre-release planning. The Division of Medical and Psychiatric Services is headed by a medical unit director who must also be a board certified psychiatrist. In addition to providing services to inmates, this Division also serves as an advisor to other agencies in the areas of mental health and psychiatric services.

ADULT PAROLE BOARD

RSA 651-A:3 established the Adult Parole Board, consisting of seven members appointed by the governor with the consent of the council. In accordance with RSA 651-A:4, the Board is responsible for paroling prisoners from the New Hampshire State Prison, the New Hampshire State Prison for Women, and the Lakes Region Facility, and is the legal custodian of all parolees until they are discharged or recommitted. In addition, the Board is charged with adopting rules pertaining to the parole process, including parolee conduct and revocation procedures.

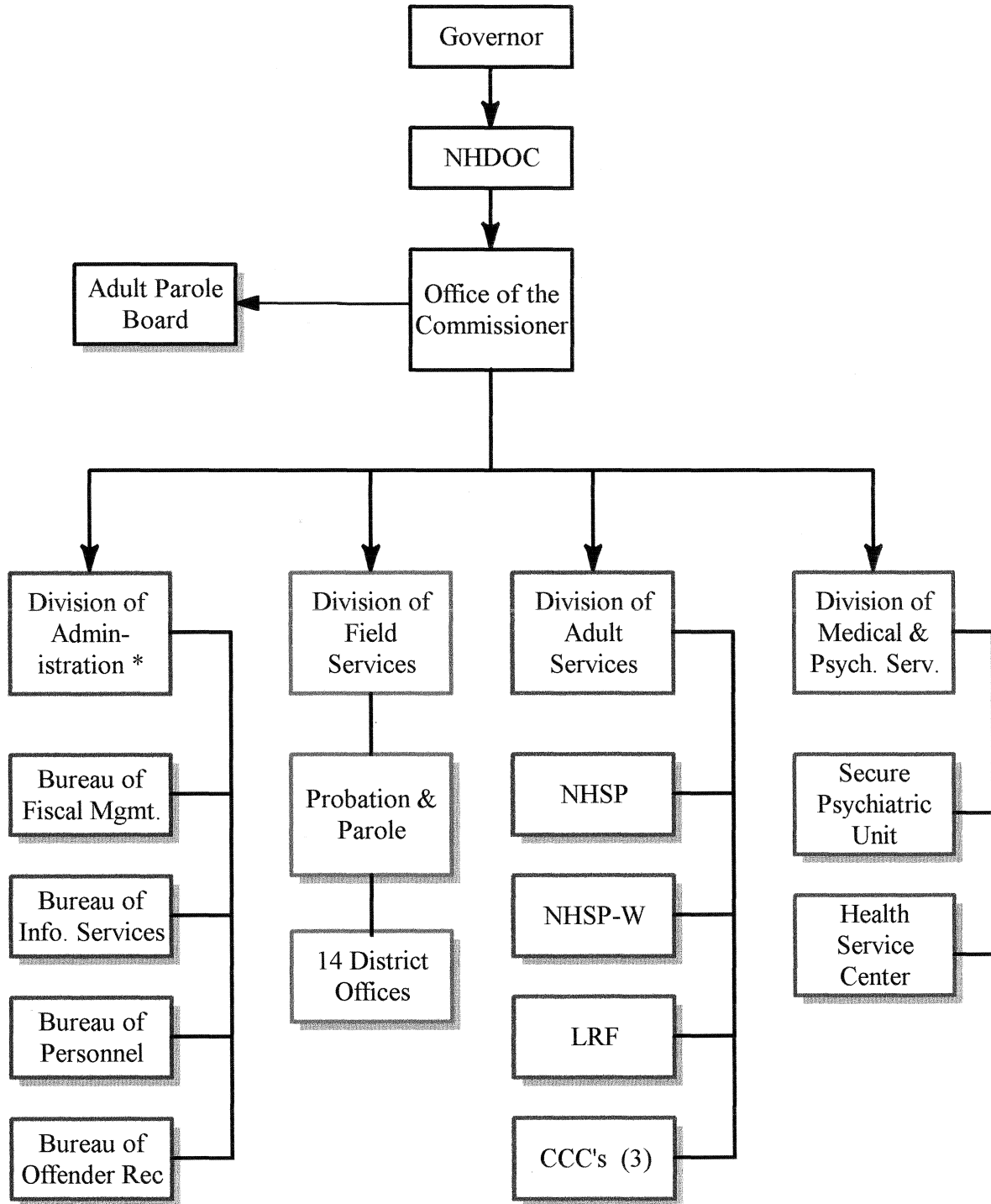
SUMMARY OF FINANCIAL ACTIVITY

The Department of Corrections is funded primarily by appropriations from the General, Special, and Capital Projects Funds. Fiscal year 1995 estimated revenue/spending authority (budget) and nine month actual financial activity for the General and Special Funds is summarized in the following table. Expenditures of the Department of Corrections are presented graphically on page five.

(in thousands)	General Fund		Special Fund	
	Budget	Actual	Budget	Actual
Unrestricted Revenue	\$ -0-	\$ 1,111	\$ -0-	\$-0-
Restricted Revenue	\$ 1,367	\$ 623	\$1,240	\$510
Expenditures	\$47,952	\$35,350	\$1,378	\$632

INTRODUCTION (Continued)

State of New Hampshire
 Department of Corrections
 Organizational Structure



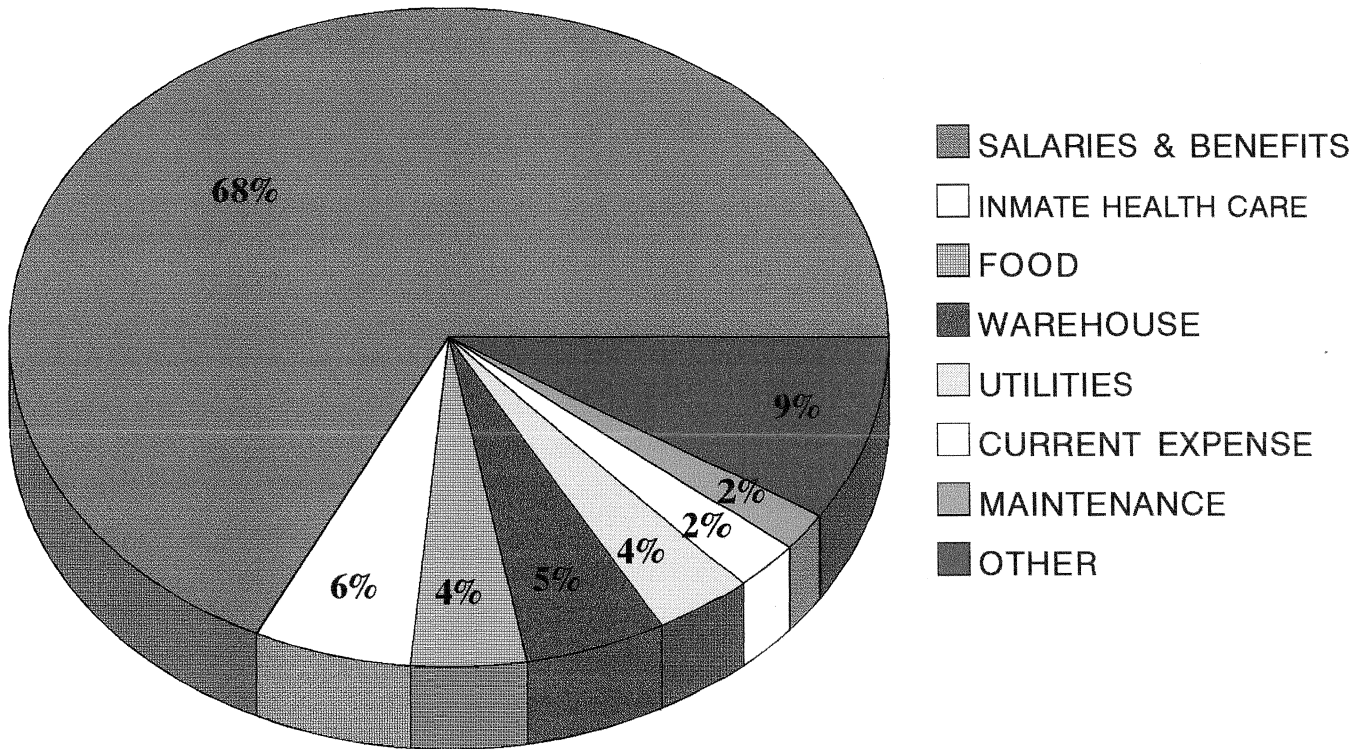
* The Inmate Accounting Office is under the Division of Administration.

Legend:
 NHDOC - New Hampshire Department of Corrections
 NHSP - New Hampshire State Prison for Men
 NHSP-W - New Hampshire State Prison for Women
 LRF - Lakes Region Facility
 CCC - Community Corrections Centers

Source: RSA 21-H, RSA 651-A:24

DEPARTMENT OF CORRECTIONS FOR THE NINE MONTHS ENDED MARCH 31, 1995

TOTAL COMBINED EXPENDITURES = \$36.4 MILLION



CATEGORY	GENERAL FUND	SPECIAL FUND	CAPITAL FUND	TOTAL
SALARY & BENEFITS	\$24.2	\$0.5	\$0	\$24.7
INMATE HEALTH CARE	2.1	0	0	2.1
FOOD	1.5	0	0	1.5
WAREHOUSE	1.9	0	0	1.9
UTILITIES	1.3	0	0	1.3
CURRENT EXPENSE	0.9	0	0	0.9
MAINTENANCE	0.3	0	0.4	0.7
OTHER	3.2	0.1	0	3.3
TOTAL	\$35.4	\$0.6	\$0.4	\$36.4

COMBINED EXPENDITURES - ALL FUNDS IN MILLIONS

INTRODUCTION (Continued)

PRIOR AUDITS

The most recent prior audit of the Department of Corrections was for the eighteen months ended December 31, 1986. Appendix A to this report on page forty-nine contains a summary of the current status of the observations contained in that prior audit report.

The Office of Legislative Budget Assistant also issued a performance audit report, dated April 1992, titled *State of New Hampshire Prison Expansion*. Management's evaluation of the current status of observations found in that report is located in Appendix B of this report starting on page fifty-one.

Copies of these reports can be obtained from the Office of the Legislative Budget Assistant, Audit Division, Room 102, State House, Concord NH 03301.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

AUDIT OBJECTIVES AND SCOPE

The primary objective of our audit is to express an opinion on the fairness of the presentation of the financial statements. As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we considered the effectiveness of the internal control structure in place at the Department of Corrections and tested the Department's compliance with certain provisions of applicable state and federal laws, regulations, contracts, and grants. Major accounts or areas subject to our examination included, but were not limited to the following:

- Internal Control Structure
- Appropriations and Revenues
- Expenditures and Encumbrances
- Property and Equipment
- State and Federal Compliance.

Our reports on the internal control structure, state and federal compliance, and management issues, the related observations and recommendations, our independent auditor's report, and the financial statements are contained in the report that follows.

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AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the Department of Corrections, of the State of New Hampshire, excluding Correctional Industries and Department trust and agency funds, for the nine months ended March 31, 1995, and have issued our qualified report thereon dated June 30, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *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.

The management of the Department of Corrections is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Department of Corrections, excluding Correctional Industries and Department trust and agency funds, for the nine months ended March 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Those matters that we consider to be reportable conditions are described on the following pages.

REPORTABLE CONDITIONS

OBSERVATION NO. 1 - LACK OF SEGREGATION OF DUTIES: INVOICE PAYMENTS

OBSERVATION:

- Invoices received by the Department of Corrections (DOC) are routed to employees in the Bureau of Fiscal Management who prepare the payment vouchers. The payment voucher, with the invoice attached to provide support for the payment, is routed to an employee authorized to approve the payment. A check is generated by the state accounting system and either mailed directly from the Treasury to the payee or forwarded to the DOC in accordance with the DOC's request. Checks forwarded to the DOC are typically routed to the same individuals who originally prepared the related payment vouchers that initiated the generation of the check. These individuals are responsible for remitting the payments to the vendors.

Effective internal control practices dictate that signed checks be handled in such a way that they are unavailable to persons involved in the payment voucher process. Allowing checks to be returned to the preparer of the payment voucher weakens internal controls over disbursements.

RECOMMENDATION:

- The payment voucher cycle, including the preparation, approval and recording functions, should be segregated from check handling responsibilities. Segregation of these incompatible functions strengthens controls over disbursements and promotes the timely detection of errors or irregularities. Checks forwarded to the DOC prior to remittance should be handled by individuals who are otherwise independent of the check request process.

AUDITEE RESPONSE:

- Those checks that are returned to DOC will be handled by someone other than the initiator of the check. Segregation of duties has been established.

Checks that need to be returned to DOC include telephone payments, utility payments, pre-paid subscriptions, etc. Treasury will not send out this material with the check.

OBSERVATION NO. 2 - LACK OF SEGREGATION OF DUTIES: REVENUE CYCLE

OBSERVATION:

- The Bureau of Fiscal Management (BFM) within the Department of Corrections is responsible for recording and reconciling revenue. Certain BFM personnel prepare the cash receipt documents and handle the checks. Some of the same personnel also perform the monthly reconciliations between the cash receipt documents and the accounting records. For example, during the audit period, one BFM employee prepared the cash receipt documents related to the federal Pathways program and also performed the monthly reconciliation of those cash receipt documents to the accounting records. Another BFM employee prepared cash receipt documents for the federal and county housing reimbursements and for the Secure Psychiatric Unit room and board receipts and also performed the monthly reconciliation of those cash receipts.

Preparing cash receipt documents and reconciling those documents to the accounting records are incompatible duties when performed by the same individual and results in a breakdown of internal controls which increases the risk of undetected errors or irregularities.

RECOMMENDATION:

- In order to strengthen its internal control structure, the BFM should segregate the duties related to receipt document preparation and check handling from the reconciliation function. Segregation of these duties will promote the timely detection of errors or irregularities.

AUDITEE RESPONSE:

- We have effectively segregated these duties.

OBSERVATION NO. 3 - ALLOCATION OF EXPENDITURES

OBSERVATION:

- The Department of Corrections (DOC) has facilities at several locations which require expenditures for food and provisions for inmates. Invoices from vendors typically represent deliveries of food and provisions for more than one DOC facility. Appropriations for food and provisions are made to the DOC on a facility basis and, in the DOC's and state's accounting records, separate organization codes account for the appropriations for each facility. There is a budget footnote related to each of the food appropriations which states that the funds in the appropriation shall not be transferred or expended for any other purpose.

OBSERVATION NO. 3 - ALLOCATION OF EXPENDITURES (Continued)

OBSERVATION (Continued):

During testing, it was noted that food and provision expenditures were not allocated on the basis of the receiving site (organization code), but rather expenditures for food and provisions to be used at several facilities were regularly charged to single appropriations sequentially until the appropriations were exhausted. Once a particular appropriation was depleted, the process would be repeated with a food appropriation for another facility. For example, an invoice for food and provisions may be charged in whole to the food appropriation for the Secure Psychiatric Unit even though a portion of the food was used at the Lakes Region Facility which also has a food appropriation. By not allocating expenditures based on the user appropriation, the appropriations of one organization are used to cover the expenditures of another organization and thereby result in a transfer of appropriation which may be in conflict with the budget footnote. Also, interim and year-end information related to available appropriation levels and costs of operation by DOC facility can be distorted and may not reflect actual operating costs of each facility.

Similar instances of failure to properly allocate expenditures for clothing purchases and utility services costs were also noted.

RECOMMENDATION:

- The DOC should develop a method to allocate expenditures for food, clothing, and utilities which matches the expenditures to the proper appropriation for those expenditures. The method developed must support compliance with budget footnotes.

AUDITEE RESPONSE:

- Food and clothing purchases are budgeted separately at each DOC facility based on population levels and historical per inmate costs. Food and clothing are ordered in bulk to take advantage of quantity discounts. Per inmate costs remain relatively stable. Populations at our satellite facilities are capped and predictable. Therefore, although individual purchases are not itemized for each facility, the total amount spent at fiscal year's end represents an accurate amount of those costs for those facilities. It would be labor intensive to allocate costs between four different appropriations every time we purchased 1000 pounds of hamburger, etc. We process 50-60 invoices per month for one food vendor alone.

OBSERVATION NO. 4 - ADJUSTMENTS TO HILLSBOROUGH COUNTY BILLINGS

OBSERVATION:

- The Department of Corrections (DOC) and Hillsborough County have a reciprocal agreement for the housing of inmates. The DOC houses Hillsborough County female inmates and some County male inmates at the state prisons for women and men and Hillsborough County houses some state male inmates at its correctional facilities.

The DOC bills the County on a quarterly basis. The amount billed is based on a per diem rate and the number of housing days provided by the DOC for County inmates net of the number of housing days the County provided DOC inmates. The bill is prepared by a DOC accountant and certified by the business administrator.

The DOC generates monthly listings of County inmates at the state prisons and state inmates at the County's facilities. These listings provide the inmate name, dates housed and the number of days housed, and are the basis for the quarterly bill. The bill and related support listings are sent to the County.

Hillsborough County contacts the DOC with any adjustments to the bill. These adjustments are generally due to paperwork, regarding inmate jurisdiction changes between the County and the state, reaching the DOC subsequent to the preparation of the quarterly bill. The DOC verifies the propriety of these adjustments with its Bureau of Offender Records prior to revising the bill amount. The bill preparer notes the adjustments on the DOC's copy of the support listings and may or may not also note the adjustments on the DOC's copy of the bill. The revised amount due is communicated to the County by telephone. A revised bill is not mailed to the County.

Adjustments were observed in each of the three quarterly bills covering the nine month audit period. Portions of the original bill information had been crossed out and the adjustments had been written in. There was no documentation that these changes to the original billed amounts were approved by authorized individuals at the DOC.

RECOMMENDATION:

- Authorized individuals at the DOC should review and approve adjustments to bills. This approval should be clearly documented in the accounting records. The approvals should be made by authorized individuals independent of the original bill's preparation and based upon appropriate supporting documentation.

Consideration should be given to producing and forwarding to the County a revised bill with revised support listings when adjustments need to be made to the original amounts billed. The revised bill should be marked as such with approval/certification by an authorized individual at the DOC.

OBSERVATION NO. 4 - ADJUSTMENTS TO HILLSBOROUGH COUNTY BILLINGS (Continued)

AUDITEE RESPONSE:

- Revised billings will be generated and approved by the Director of Administration as necessary.

OBSERVATION NO. 5 - INTERNAL CONTROLS OVER THE PAYROLL PROCESS

The Department of Corrections (DOC), Policy and Procedure Directive 1.2.2, requires overtime hours worked by an employee to be approved by certain authorized individuals. The approval of overtime is evidenced by the authorized individual's sign off on the employee's time card. DOC Policy and Procedure Directive 1.2.4 requires the use of a leave application form, consistent with the state's personnel rules and regulations, to request leave from work. These two policy provisions were included in the test of payroll expenditures.

OBSERVATIONS:

- A sample of twenty-nine employee time/attendance reports was examined. Overtime hours were checked for the approval required by the DOC policy. Fifteen out of the sample of twenty-nine time/attendance reports indicated overtime hours worked. No approval of the overtime hours was observed in three out of these fifteen reports (20%). However, the employee was credited with the related compensatory time.
- Leave from work, according to the time/attendance reports of selected pay periods, was examined for the twenty-nine employees. Fourteen of the time/attendance reports indicated that employees had taken leave during the period covered by the report. For four of these fourteen reports (29%), an application for leave could not be located.

RECOMMENDATIONS:

- The DOC should implement procedures to ensure overtime hours are approved in accordance with its written policy.
- The DOC should implement procedures to ensure documentation supporting approved leave time is maintained.

AUDITEE RESPONSE:

- P.P.D. 1.2.2 does require overtime hours to be approved by supervisors before payment is authorized. The methodology for this approval is being changed to facilitate the process.
- DOC is assured that all leave taken is approved. Leave time is posted from the actual time and attendance sheets which have supervisory authority.

OBSERVATION NO. 6 - DUPLICATE PAYMENTS TO VENDORS

OBSERVATION:

- The Department of Corrections (DOC) processes a high volume of payments to many different vendors. During the evaluation of internal controls over expenditures, it was noted that the DOC had no formal procedures in place to prevent or detect duplicate payments to vendors.

During our expenditure testing we noted instances where the DOC had made a duplicate payment to a vendor and the error was detected not by the DOC but by the vendor. While no significant dollar amounts of duplicate payments were identified during testing, it appears the risk of DOC making duplicate payments is not currently being addressed by the DOC.

RECOMMENDATION:

- The DOC should develop and implement procedures aimed at reducing the potential for making duplicate payments. For example, as photocopied invoices present a high risk for duplicate payment, consideration should be given to requiring original invoices for payment voucher preparation.

AUDITEE RESPONSE:

- Personnel have been instructed to pay only from original documents so as to eliminate duplicate payments.

OBSERVATION NO. 7 - EQUIPMENT: ABSENCE OF INVENTORY CONTROL TAGS

OBSERVATION:

- To control the equipment inventory, the Department of Corrections (DOC) marks its equipment with identification numbers, generally through the use of inventory control tags. In cases where the use of the tag isn't practical due to the nature of the equipment, the identification number is inscribed on the equipment. The identification numbers are included in the DOC's equipment listing.

During the testing of equipment one hundred forty-five pieces of equipment were physically examined. No inventory control tags or inscribed inventory control numbers were observed on twelve (8%) of the items.

OBSERVATION NO. 7 - EQUIPMENT: ABSENCE OF INVENTORY CONTROL TAGS
(Continued)

RECOMMENDATION:

- To maintain control over its equipment inventory, it is recommended that the DOC take the necessary measures to ensure state equipment is marked with an inventory control number. Identifying equipment items which lack inventory control numbers should be performed during the annual physical inventory.

AUDITEE RESPONSE:

- All equipment is tagged upon receipt. Control numbers may inadvertently be separated from equipment but are identified during the annual physical inventory and re-tagged.

OBSERVATION NO. 8 - DISPOSITION OF UNCLAIMED PAYROLL CHECKS

OBSERVATION:

- The Department of Corrections (DOC) does not have a formal policy regarding the disposition of unclaimed payroll checks. According to payroll personnel, there has been no need for instructions concerning what to do with unclaimed payroll checks as the agency has consistently located the payees. However, there have been instances where paycheck stubs for employees with direct deposit have not been claimed. In this case, agency personnel have returned the stubs to the payroll officer. It is reasonable to assume that unclaimed checks would also be returned to the payroll officer.

Effective internal control procedures dictate that unclaimed payroll checks be inaccessible to payroll personnel.

RECOMMENDATION:

- Although audit testing indicated that unclaimed checks are currently not an issue for the DOC, given that there are over eight hundred DOC employees, it is recommended that the Department develop and implement a written policy regarding procedures to follow for unclaimed payroll checks. Procedures for the disposition of the unclaimed checks should include the segregation of individuals with payroll duties from the actual disposition of unclaimed checks. Effective segregation of these two responsibilities will strengthen internal controls over payroll disbursements by promoting the timely detection of errors or irregularities.

OBSERVATION NO. 8 - DISPOSITION OF UNCLAIMED PAYROLL CHECKS (Continued)

AUDITEE RESPONSE:

- A policy and procedure directive has been issued to direct all unclaimed checks and stubs to the Director of Administration.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management of the New Hampshire Department of Corrections and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter of public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

June 30, 1995

AUDITOR'S REPORT ON STATE AND FEDERAL COMPLIANCE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the Department of Corrections, of the State of New Hampshire, excluding Correctional Industries and Department trust and agency funds, for the nine months ended March 31, 1995, and have issued our qualified report thereon dated June 30, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *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.

Compliance with state and federal laws, regulations, and contracts applicable to the New Hampshire Department of Corrections is the responsibility of the Department's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the New Hampshire Department of Correction's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we have noted on pages twenty through twenty-seven instances of noncompliance with laws and regulations, while not material to the financial statements, we believe to be worthy of report mention.

This report is intended for the information of the management of the New Hampshire Department of Corrections and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter of public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

June 30, 1995

STATE COMPLIANCE

OBSERVATION NO. 9 - STATEMENTS OF FINANCIAL INTERESTS

OBSERVATION:

- New Hampshire Revised Statute Annotated (RSA) 21-G:5-a requires that "Every member of every executive branch board, commission... shall file by July 1 of each year a verified written statement of financial interests... No member shall be allowed to enter into or continue the member's duties, unless the member has filed a statement of financial interests with the secretary of state."

Four members of the seven member parole board filed statements of financial interests in accordance with RSA 21-G:5-a. The remaining three parole board members began their duties during fiscal year 1995 but did not file a statement upon entering into their duties as required by RSA 21-G:5-a. These three members were allowed to continue in their duties.

The Department of Corrections (DOC) does not have procedures in place to monitor the filing of these statements by the parole board.

RECOMMENDATION:

- To prevent the possibility that a parole board decision may be questioned due to the participation of a parole board member who has not filed a statement of financial interests, the DOC should monitor the filing of the statements of financial interests and notify the chairman of the parole board when statements are not filed timely in accordance with the statute.

AUDITEE RESPONSE:

- Parole Board has been notified of requirement. Compliance will be monitored by Division of Administration through the Executive Assistant to the Parole Board. We have supplied the Parole Board Office with the blank forms.

OBSERVATION NO. 10 - CONSUMABLE INVENTORY: ABSENCE OF PERPETUAL RECORDS

OBSERVATION:

- The types of consumable inventory used by the Department of Corrections (DOC) include food, paper supplies, clothing, bedding, maintenance supplies and ammunition. The Department of Administrative Services, Manual of Procedures, describes the inventory control system to be used by state agencies. Section 307.05 (expired) of the manual defines the

OBSERVATION NO. 10 - CONSUMABLE INVENTORY: ABSENCE OF PERPETUAL RECORDS
(Continued)

OBSERVATION (Continued):

method of inventory costing a state agency is to use. This costing method determines a new average unit cost and total dollar value with each delivery of an inventory item. Quantities on hand, unit and average unit costs and total dollar value of the inventory are to be accounted for on a perpetual basis. This information is to be recorded on material control cards for each inventory item.

Section 307.06 (expired) of the manual requires a separate dollar control account be maintained at the agency's business office. This control account is to be reconciled annually to the individual material control cards.

During the audit period, the DOC did track quantities of inventory items. However, the DOC did not, 1) account for its inventory using average unit cost, 2) maintain a perpetual dollar value or, 3) maintain the separate dollar control account, as required by the manual.

At the fiscal year end, the DOC performs a physical inventory and assigns a cost to the inventory at that time, using the first-in first-out valuation method rather than the average costing method required by the manual.

RECOMMENDATION:

- It is recommended that the DOC revise its inventory accounting methods to comply with the Department of Administrative Services Manual of Procedures, section 307 (expired).

AUDITEE RESPONSE:

- The Department performs monthly inventories of food, paper supplies, clothing, bedding, maintenance supplies and ammunition. A perpetual inventory is kept by quantity. We do not have the resources to maintain perpetual dollar value inventories using weighted average method.

OBSERVATION NO. 11 - TIMELINESS OF RECEIPT PROCESSING

OBSERVATION:

- Checks received by the Department of Corrections (DOC) business office, the Bureau of Fiscal Management (BFM), are restrictively endorsed and recorded on a record of daily receipts. The checks are then distributed to certain BFM personnel on the basis of the nature of the receipt. These personnel prepare the cash receipt documents and the

OBSERVATION NO. 11 - TIMELINESS OF RECEIPT PROCESSING (Continued)

OBSERVATION (Continued):

related deposit slips. After the cash receipt documents are approved by authorized personnel, the checks, deposit slips and cash receipt documents are delivered to the State Treasury for deposit.

During the testing of revenue, the number of business days elapsed from the date a check was received to the date the related deposit slip was prepared was examined to test the timeliness of deposits. Timeliness was defined as the deposit slip preparation date being, 1) the same as the check received date or, 2) the business day following the check received date. New Hampshire Revised Statute Annotated (RSA) 6:11 requires that deposits be made when total accumulated receipts held by an agency exceed \$100. This generally translates into a daily deposit requirement for the DOC.

A sample of sixty-five items was tested and twelve (18%) untimely deposits were noted. The untimeliness for these twelve items averaged four business days and ranged from two to six business days.

RECOMMENDATION:

- To protect against the loss or unauthorized use of checks received by the DOC and to promote timely cash management, checks received by the DOC should be deposited in a timely manner in compliance with RSA 6:11.

AUDITEE RESPONSE:

- Personnel have been instructed and procedures are in place to guard against loss or unauthorized use of checks.

OBSERVATION NO. 12 - REAL PROPERTY RECORDS: LAKES REGION FACILITY

OBSERVATIONS:

- The Lakes Region Facility is located at the former Laconia Developmental Services (LDS) site. During July 1991 the responsibility for the buildings and grounds was passed to the Department of Corrections (DOC) by way of a memorandum signed by the DOC and the Division of Mental Health and Developmental Services. It was indicated in the memorandum that a letter of agreement and formal transfer in accordance with New Hampshire Revised Statute Annotated (RSA) 10:4 would follow. Based on RSAs 10:1 and 10:4, it appears the transfer required governor and council approval. There was no documentation available indicating that a formal transfer of the property had occurred or that governor and council approved of the transfer. The memorandum noted above appears to be an informal transfer of the buildings and grounds.

OBSERVATION NO. 12 - REAL PROPERTY RECORDS: LAKES REGION FACILITY
(Continued)

OBSERVATIONS (Continued):

- Based on the memorandum, the DOC recorded the former LDS land and buildings in its real property records beginning in fiscal year 1992. The amounts recorded totaled \$8,057,697 and were the same amounts previously recorded by LDS. During the testing of real property balances, DOC provided the LDS's fiscal year 1991 real property summary as support for the \$8,057,697. This was not adequate support for the land and buildings balance.

RECOMMENDATIONS:

- The DOC should pursue a formal transfer of the former LDS real property.
- The DOC should acquire more support for the \$8,057,697 recorded land and buildings balance.

AUDITEE RESPONSE:

- Due to the statutory provision that Corrections leave the Lakes Region Facility in 1998 we believe it unwise to pursue a formal transfer of property.
- We recognize that detailed backup to support property values is a problem statewide. When Administrative Services transferred the value of the Lakes Region property to DOC they used the figures published in the annual State "real property" summary. We are attempting to gather support documents for the land and buildings balance.

OBSERVATION NO. 13 - ABSENCE OF CAPITAL BUDGET PROJECT STATUS REPORTS

OBSERVATION:

- The Department of Corrections (DOC) has several capital budget projects in process. New Hampshire Revised Statute Annotated (RSA) 17-J:4 requires that each state agency with capital budget projects submit a status report every 60 days to the capital budget overview committee.

During the nine month audit period, the DOC submitted no status reports to the overview committee. However, beginning with April 30, 1995, the first month subsequent to the audit period, the DOC began preparing status reports.

OBSERVATION NO. 13 - ABSENCE OF CAPITAL BUDGET PROJECT STATUS REPORTS
(Continued)

RECOMMENDATION:

- It is recommended that the DOC implement procedures necessary to ensure submission of the capital budget project status reports in accordance with RSA 17-J:4.

AUDITEE RESPONSE:

- The Administrator of Services for DOC has been tasked with completing the 60 day Capital Budget project status reports and has been in compliance since April 30, 1995.

FEDERAL COMPLIANCE

OBSERVATION NO. 14 - CASH MANAGEMENT

OBSERVATION:

- The Department of Corrections (DOC) receives federal funds from the U.S. Department of Justice. As a recipient of federal dollars, the DOC is required to have a cash management system in place which minimizes the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of those funds by the DOC (timely disbursement criterion). The cash management system is to operate in a manner which limits the amount of federal funds on hand to the DOC's immediate needs. Generally, immediate need is defined as the amount required to operate the funded program for three days (immediate needs criterion). Immediate need, calculated using data from the most recent, complete federal fiscal year, equaled \$27,925.

During the audit period, the DOC requested and received funds on four occasions. The amounts requested were based on expenditures not previously reimbursed plus estimates of future expenditures. Two of the four requests were in amounts which resulted in month-end balances of federal funds on hand ranging from \$94,138 to \$144,991 for three months of the nine month audit period. These excess balances were due to the DOC requesting amounts for expenditures not yet incurred.

In accordance with the "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments", requesting funds greater than actual expenditures requires a recipient to monitor interest earned on the excess funds and remit amounts greater than \$100 to the federal agency.

An estimation of the interest earned on excess funds held at the end of each month during the audit period was performed. Interest earned on excess federal funds during the nine month audit period was estimated to be \$1,400.

RECOMMENDATION:

- To promote consistent compliance with federal cash management requirements, the DOC should apply the timely disbursement and immediate needs criteria when determining the amount to be requested from the federal grantor.

If the DOC continues to request funds in advance, it is recommended that the DOC develop and implement an interest tracking system to accurately determine any interest due the federal grantor.

OBSERVATION NO. 14 - CASH MANAGEMENT (Continued)

AUDITEE RESPONSE:

- We will comply with federal cash management requirements.

**OBSERVATION NO. 15 - UNTIMELY COMPLETION OF FEDERAL CATEGORICAL ASSISTANCE
PROGRESS REPORTS**

OBSERVATION:

- The Department of Corrections (DOC) receives a grant from the U.S. Department of Justice for providing certain programming and treatment to offenders.

As with any federal grant there are reporting requirements placed on the DOC as the grant recipient. The U.S. Department of Justice grant requires the DOC to submit a Categorical Assistance Progress Report on a calendar quarter basis. The report is used to describe the performance of activities or the accomplishment of objectives as set forth in the grant application. This reporting requirement is based in the Office of Justice Programs manual (OJP M 7100.1D), Chapter 3, Paragraph 31.

According to the OJP manual, the report is due on the thirtieth day following the end of each calendar quarter. During the nine month audit period the DOC submitted one report, on May 4, 1995, covering the six month period November 1, 1994 to May 1, 1995. While the contents of the report appeared to provide the requested information, the timing of the report submission and the reporting period covered were not in accordance with the requirements set forth in the OJP manual. To comply with these requirements, the DOC should have submitted a report for each of the quarters ended September 30, 1994, December 31, 1994 and March 31, 1995 by the thirtieth day following the quarter end.

RECOMMENDATION:

- It is recommended that the DOC take the measures necessary to comply with the federal reporting requirements set forth by the grant.

AUDITEE RESPONSE:

- Reports for each of the quarters ending September 30, 1994, December 31, 1994, and March 31, 1995 have been completed and filed as per requirements set forth in the OJP Manual.

OBSERVATION NO. 16 - UNTIMELY SUBMISSION OF FINANCIAL REPORTS

OBSERVATION:

- The Department of Corrections (DOC) receives funding from federal grants initially received by other state agencies. The federal funds are received by these other state agencies and subsequently passed through to the DOC.

Two of these pass through grants were examined for DOC compliance with conditions set forth in the respective grant documentation. Each grant included a financial reporting component which required the DOC to complete an expenditure report on a quarterly basis and submit it to the grantor state agency no later than ten days after the quarter end. The three quarterly reports covering the nine month audit period were examined for both grants tested. All six quarterly reports for the audit period were completed by the DOC. However, five of the six reports were submitted late as illustrated below.

QUARTER ENDED	DUE DATE	DATE SUBMITTED	DAYS LATE
<u>GRANT A:</u>			
09/30/94	10/10/94	10/14/94	4
12/31/94	01/10/95	01/13/95	3
03/31/95	04/10/95	04/11/95	1
<u>GRANT B:</u>			
09/30/94	10/10/94	01/20/95	102
12/31/94	01/10/95	01/20/95	10
03/31/95	04/10/95	04/10/95	0

RECOMMENDATION:

- The DOC should take the measures necessary to promote consistent timeliness in reporting grant activity. Late reporting may cause delays in the DOC's receipt of funds from the state grantor agency.

AUDITEE RESPONSE:

- We will comply. DOC is in the process of training additional staff.

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AUDITOR'S REPORT ON MANAGEMENT ISSUES

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the Department of Corrections, of the State of New Hampshire, excluding Correctional Industries and Department trust and agency funds, for the nine months ended March 31, 1995, and have issued our qualified report thereon dated June 30, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *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.

In planning and performing our audit of the financial statements of the New Hampshire Department of Corrections for the nine months ended March 31, 1995 we noted certain issues related to the operation of the Department that merit management consideration but do not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and were not issues of noncompliance with laws, regulations, contracts, and grants.

Those issues that we believe are worthy of management consideration but do not meet the criteria of reportable conditions or noncompliance are included on pages thirty through thirty-one.

This report is intended for the information of the management of the New Hampshire Department of Corrections and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

June 30, 1995

MANAGEMENT ISSUES

OBSERVATION NO. 17 - DAILY RATE CHARGED FOR THE HOUSING OF HILLSBOROUGH COUNTY INMATES AND DETAINEES

OBSERVATION:

- The United States Department of Justice (USDOJ) and Hillsborough County contract with the Department of Corrections (DOC) for housing federal and County inmates in DOC facilities. The daily rate paid by the USDOJ for the state's housing of federal prisoners is based on the actual cost of housing inmates in DOC facilities. For fiscal year 1995, the rate paid by the USDOJ to the DOC was \$47.68 per prisoner per day. The contract with Hillsborough County, which covers the housing of female inmates and detainees in the state's prison for women, specifies that the rate paid to the DOC is to be based on the actual cost per day of housing a male inmate at the County's Willow Street facility. The cost of housing County inmates and detainees in the state facility can be offset by state inmates housed in County facilities. For fiscal year 1995, the rate paid by Hillsborough County to the DOC was \$62.35 per prisoner per day.

The DOC billed Hillsborough County \$232,000 for housing County inmates and detainees during the nine months ended March 31, 1995. The USDOJ would have paid the DOC \$177,000, or \$55,000 less than the County for the same services.

It is unclear whether it is appropriate to charge Hillsborough County at a rate greater than the rate charged the federal government for the same service.

RECOMMENDATION:

- The DOC should document the justification for charging different rates for the housing of federal and County inmates and detainees.

AUDITEE RESPONSE:

- Federal regulations require that we charge the actual cost of housing. When negotiating the Hillsborough County agreement we recommended that we bill at the actual cost of housing. Hillsborough County officials insisted that we bill at the actual per prisoner per day cost borne by the County to house male inmates at its Willow Street facility.

OBSERVATION NO. 18 - CAPITAL EXPENDITURE LEDGERS

OBSERVATION:

- The Department of Corrections (DOC) records its capital expenditures in manual ledgers. These ledgers track the expenditures by appropriation code. The same capital expenditures are also recorded by appropriation code in the New Hampshire Integrated Financial System (NHIFS). It appears the manual ledgers are a duplication of work.

RECOMMENDATION:

- It is recommended that the DOC evaluate the benefit of using these manual ledgers and determine whether the capital expenditure information needed can be obtained solely through NHIFS.

AUDITEE RESPONSE:

- We agree and are evaluating our internal control system.

INDEPENDENT AUDITOR'S REPORT

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the Department of Corrections, of the State of New Hampshire, excluding Correctional Industries and Department trust and agency funds, for the nine months ended March 31, 1995. The financial statements are the responsibility of the management of the New Hampshire Department of Corrections. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

As more fully described in NOTE 2, the New Hampshire Department of Corrections does not have complete financial records to support the amounts included in the General Fixed Assets Account Group. Accordingly, we were unable to examine sufficient evidential matter to support such amounts.

As more fully discussed in NOTE 1, the financial statements referred to in paragraph one are not intended to present the financial position of the New Hampshire Department of Corrections.

As more fully discussed in NOTE 7, the New Hampshire Department of Corrections did not record accounts receivable in accordance with generally accepted accounting principles and thus understated revenue in the Special Fund by \$103,930.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had our audit not been limited in scope as discussed in the third paragraph and the matters discussed in the fourth and fifth paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, certain financial activity of the New Hampshire Department of Corrections for the nine months ended March 30, 1995 in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The accompanying Schedules of Budgetary Components and Federal Financial Assistance (Cash Basis) are presented on pages forty-six to forty-eight for the purpose of additional analysis and are not required parts of the financial statements of the New Hampshire Department of Corrections. Such information has been subjected to the auditing procedures applied in our audit of the financial statements referred to in the first paragraph and, in our opinion, is fairly presented 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 June 30, 1995 on our consideration of the New Hampshire Department of Corrections internal control structure and a report dated June 30, 1995 on its compliance with laws and regulations.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

June 30, 1995

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL AND SPECIAL FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE/ (UNFAVORABLE) VARIANCE</u>
<u>UNRESTRICTED REVENUE (NOTE 1)</u>			
Holding Account (NOTE 5)	\$ -0-	\$ 480,025	\$ 480,025
Community Corrections Room & Board	-0-	204,531	204,531
Supervision Fees	-0-	203,820	203,820
Collection Fees	-0-	84,230	84,230
Miscellaneous	-0-	58,508	58,508
Secure Psychiatric Room & Board	-0-	53,874	53,874
Annulment Fees	-0-	26,300	26,300
TOTAL UNRESTRICTED REVENUE	<u>\$ -0-</u>	<u>\$ 1,111,288</u>	<u>\$ 1,111,288</u>
<u>RESTRICTED REVENUE</u>			
Transfers From Other Agencies	\$ 977,678	\$ 354,340	\$ (623,338)
Inmate Housing Reimbursements	389,000	268,339	(120,661)
Federal Funds (NOTE 4)	-0-	-0-	-0-
TOTAL RESTRICTED REVENUE	<u>\$ 1,366,678</u>	<u>\$ 622,679</u>	<u>\$ (743,999)</u>
<u>EXPENDITURES</u>			
Salaries and Benefits	\$33,048,228	\$24,208,400	\$ 8,839,828
Inmate Medical and Dental	3,029,433	2,100,481	928,952
Food	2,226,646	1,465,328	761,318
Warehouse Replacement	2,011,813	1,909,580	102,233
Utilities	1,747,698	1,267,076	480,622
Current Expense	1,449,059	944,664	504,395
Inmate Wages	762,312	552,280	210,032
Maintenance	698,629	318,681	379,948
Transfers to Other Agencies	668,303	606,387	61,916
Other	484,661	377,345	107,316
Workers Compensation (NOTE 1)	407,530	574,278	(166,748)
Rent	375,373	300,859	74,514
Equipment	309,045	181,045	128,000
Inmate Clothing	268,062	166,425	101,637
Supplies	168,300	156,767	11,533
Consultants	152,656	113,966	38,690
Travel	144,205	106,570	37,635
TOTAL EXPENDITURES	<u>\$47,951,953</u>	<u>\$35,350,132</u>	<u>\$12,601,821</u>

The accompanying notes are an integral

SPECIAL FUND			COMBINED TOTAL (MEMO ONLY)		
BUDGET	ACTUAL	FAVORABLE/ (UNFAVORABLE) VARIANCE	BUDGET	ACTUAL	FAVORABLE/ (UNFAVORABLE) VARIANCE
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 480,025	\$ 480,025
-0-	-0-	-0-	-0-	204,531	204,531
-0-	-0-	-0-	-0-	203,820	203,820
-0-	-0-	-0-	-0-	84,230	84,230
-0-	-0-	-0-	-0-	58,508	58,508
-0-	-0-	-0-	-0-	53,874	53,874
-0-	-0-	-0-	-0-	26,300	26,300
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,111,288</u>	<u>\$ 1,111,288</u>
\$ -0-	\$ -0-	\$ -0-	\$ 977,678	\$ 354,340	\$ (623,338)
-0-	-0-	-0-	389,000	268,339	(120,661)
<u>1,240,074</u>	<u>510,000</u>	<u>(730,074)</u>	<u>1,240,074</u>	<u>510,000</u>	<u>(730,074)</u>
<u>\$1,240,074</u>	<u>\$510,000</u>	<u>\$ (730,074)</u>	<u>\$ 2,606,752</u>	<u>\$ 1,132,679</u>	<u>\$ (1,474,073)</u>
\$1,045,702	\$470,580	\$ 575,122	\$34,093,930	\$24,678,980	\$ 9,414,950
-0-	-0-	-0-	3,029,433	2,100,481	928,952
-0-	-0-	-0-	2,226,646	1,465,328	761,318
-0-	-0-	-0-	2,011,813	1,909,580	102,233
9,000	9,000	-0-	1,756,698	1,276,076	480,622
21,209	18,860	2,349	1,470,268	963,524	506,744
-0-	-0-	-0-	762,312	552,280	210,032
5,000	-0-	5,000	703,629	318,681	384,948
117,374	45,120	72,254	785,677	651,507	134,170
76,723	27,125	49,598	561,384	404,470	156,914
-0-	-0-	-0-	407,530	574,278	(166,748)
-0-	-0-	-0-	375,373	300,859	74,514
72,619	55,478	17,141	381,664	236,523	145,141
-0-	-0-	-0-	268,062	166,425	101,637
-0-	-0-	-0-	168,300	156,767	11,533
23,350	4,050	19,300	176,006	118,016	57,990
<u>6,723</u>	<u>1,874</u>	<u>4,849</u>	<u>150,928</u>	<u>108,444</u>	<u>42,484</u>
<u>\$1,377,700</u>	<u>\$632,087</u>	<u>\$ 745,613</u>	<u>\$49,329,653</u>	<u>\$35,982,219</u>	<u>\$13,347,434</u>

part of these financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

**STATEMENT OF CAPITAL PROJECTS FUND ACTIVITY
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

Balance Forward July 1, 1994 \$966,001

APPROPRIATIONS AND REVENUE

Appropriations	-0-
Less: Anticipated restricted revenue from sources other than the General fund	<u>-0-</u>
Net Appropriations	-0-
Actual restricted revenue from sources other than the General Fund	-0-
Net Transfers In/(Out)	<u>-0-</u>
 TOTAL AVAILABLE	 \$966,001

EXPENDITURES

Lakes Region Facility Construction	\$252,151
Lakes Region Facility Repairs - Sewer	82,468
Lakes Region Facility Repairs - Boiler	56,650
Concord - Upgrade Electronic Security	<u>9,255</u>
 TOTAL EXPENDITURES	 \$400,524
 Funds (lapsed to)/drawn from the General Fund	 <u>99,507</u>
 Balance to be carried forward	 \$664,984
 Less: Unliquidated Encumbrances	 <u>46,421</u>
 Available Balance March 31, 1995	 <u>\$618,563</u>

The accompanying notes are an integral
part of these financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Department of Corrections is an organization of the primary government of the State of New Hampshire established under New Hampshire Revised Statutes Annotated (RSA) 21-H. The accompanying financial statements report certain financial activity of the New Hampshire Department of Corrections, including the administratively attached Adult Parole Board, excluding Correctional Industries and the Department's trust and agency funds (DOC). The financial activity of the DOC is accounted for in the General, Special and Capital Projects Funds of the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities and fund balances are reported by fund for the State as a whole in the CAFR. The DOC, as an organization of the primary government, accounts for only a small portion of the General, Special and Capital Projects Funds and those assets, liabilities and fund balances as reported in the CAFR that are attributable to the DOC cannot be determined. Accordingly, the accompanying financial statements are not intended to show the financial position of the DOC in the General, Special and Capital Projects Funds and the changes in these fund balances are not reported on the accompanying financial statements.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial Statement

The financial statements of the DOC have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Accounting

The State of New Hampshire and the DOC use funds and account groups to report on financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

Fund Accounting (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

GOVERNMENTAL FUND TYPES

General Fund

The General Fund accounts for all financial transactions not specifically accounted for in any other fund. By law, and with certain exceptions, all revenues of governmental funds are paid daily into the State Treasury. All such revenues, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

Special Fund

The State allocates to the Special Fund expenditures and revenues of programs which, by statute, operate primarily from specific program revenues, such as user fees or federal grants-in-aid. The unexpended balances of appropriations for programs that lapse are transferred to the General Fund. The Special Fund is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Fund

The State records in the Capital Projects Fund 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.

ACCOUNT GROUP

General Fixed Assets (Unaudited)

General fixed assets acquired by the DOC for the performance of its operations are reflected in the General Fixed Assets Account Group at the time of acquisition. As of March 31, 1995, the DOC had recorded in the General Fixed Assets Account Group the cost of general fixed assets based on available historical cost records. Donated fixed assets are recorded at fair market value at the time donated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING

The State of New Hampshire accounts for its financial transactions related to the General, Special and Capital Projects Funds on the modified accrual basis of accounting, under which revenues are recognized when measurable and available to finance operations during the year. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period. Expenditures are recognized in the period in which obligations are incurred as a result of the receipt of goods or services.

D. BUDGETARY DATA

General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature. This budget consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received; 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 operations of the DOC are budgeted in the General and Special Funds.

The New Hampshire biennial budget is composed of the initial operating budget and 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. As shown on the Schedule of Budgetary Components-General Fund and on the Schedule of Budgetary Components-Special Fund on pages forty-six and forty-seven, respectively, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward transfers and lapses.

A Combined Statement of Revenues and Expenditures-Budget and Actual-General and Special Funds is presented as part of DOC's financial statements.

When statements are presented at an interim date, a date other than a June 30, fiscal year end, the variance reflects the difference between the twelve month budgeted amount and a partial year's actual revenue and expenditures. Thus, on the nine month financial statement dated March 31, 1995, unfavorable variances in revenues are expected, because nine months of actual receipts are compared to the amount of revenue expected to be collected in the twelve month period. Similarly, favorable expenditure variances are expected, as nine months of actual expenditures are compared to amounts expected to be expended in the twelve month budget period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Workers' Compensation is not appropriated in the original operating budget. The \$166,748 negative variance on the Budget and Actual Statement in workers' compensation expenditures reflects a timing difference between the expenditures and the related supplemental appropriations warrants to fund the expenditures.

RSA 9:3-a requires the Governor to submit a capital budget to the Legislature in each odd-numbered year. The enacted capital budget authorizes appropriations that are usually intended to be expended over several years.

A statement of Capital Projects Fund Activity is presented as part of DOC's financial statements.

Encumbrances

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 DOC's unliquidated encumbrance balances at March 31, 1995 were \$1,120,009, \$19,651, and \$46,421 in the General, Special, and Capital Projects Funds, respectively.

E. UNRESTRICTED REVENUES BUDGET

No unrestricted revenue was budgeted for the Department of Corrections for the fiscal year ended June 30, 1995.

F. FIXED ASSETS - GENERAL (Unaudited)

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets in the General Fixed Assets Account Group are not depreciated. Presently, the DOC does not have complete financial records to support the amounts included in the General Fixed Asset Account Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INTERFUND AND INTRAFUND TRANSACTIONS

The State accounts for interfund and intrafund transactions as described below:

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel and maintenance. In addition, the Department of Administrative Services charges rent to those departments that are housed in state-owned buildings. These fees and rent are not considered material and are recorded as revenue by the servicing department and as expenditures by the user department.

H. INTERPRETATION OF TOTAL (MEMO ONLY) COLUMN

Total columns have been included on the Combined Statement of Revenues and Expenditures-Budget and Actual-General and Special Funds. The total columns include interfund activity and are presented only to facilitate financial analysis. Data in these columns do not present financial activity in conformity with generally accepted accounting principles. Intra-agency eliminations have not been made in the aggregation of this data.

NOTE 2 -- GENERAL FIXED ASSETS ACCOUNT GROUP (Unaudited)

The following is a schedule of changes in real property and equipment balances, as reported by the DOC, in the General Fixed Assets Account Group for the nine months ended March 31, 1995. Equipment purchases are funded through budgeted appropriations.

	<u>Balance</u> <u>7/1/94</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/95</u>
Equipment	\$ 4,911,008	\$ 366,203	\$162,878	\$ 5,114,333
Real Property	<u>69,184,965</u>	<u>1,502,762</u>	<u>-0-</u>	<u>70,687,727</u>
Total	<u>\$74,095,973</u>	<u>\$1,868,965</u>	<u>\$162,878</u>	<u>\$75,802,060</u>

Changes in the DOC's real property and equipment balances are reported to the Department of Administrative Services at the end of each fiscal year for inclusion in the State's Comprehensive Annual Financial Report. Presently, the DOC does not have complete financial records to support the amounts reported in the General Fixed Asset Account Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3 -- EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The DOC as an organization of state government participates in the New Hampshire Retirement System (the Plan). The Plan is a defined benefit plan and covers substantially all full-time employees of the DOC. The Plan qualifies as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. New Hampshire Revised Statutes Annotated (RSA), Chapter 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 employees and teachers. Group II consists of firefighters and police officers, including some correctional officers.

Group I - Members contributing through age 60 qualify for a normal service retirement allowance based on years of creditable service. The yearly pension amount is $1/60$ (1.67%) of average final compensation (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 10 or more years of creditable service who are between age 50 and 60 are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service. In addition, any Group I member who has completed at least 20 years of creditable service that, when combined with his or her age equals at least 70, is entitled to retire and have benefits commence immediately at a reduced service retirement allowance.

Group II - After attaining the age of 45, members with 20 years of creditable service qualify to receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members in service at age 60 qualify to receive a prorated retirement allowance.

Members of both groups are entitled to disability allowances and also death benefit allowances subject to various requirements and rates based on AFC or earnable compensation.

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During the nine months ended March 31, 1995, Group I and II members were required to contribute 5% and 9.3%, respectively, of gross earnings. The State funds 100% of the employer cost for all of the DOC's employees enrolled in the Plan. The annual contribution required to cover any normal cost beyond the employee contribution is determined every two years by the Plan's actuary.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3 -- EMPLOYEE BENEFIT PLANS (Continued)

New Hampshire Retirement System (Continued)

The DOC's payments for normal contribution costs for the nine months ended March 31, 1995 amounted to 2.65% of the covered payroll for its Group I employees and 5.07% for its Group II employees. The Plan does not make separate measurements of assets and pension benefit obligation for individual employers. The New Hampshire Retirement System Comprehensive Annual Financial Report contains detailed information regarding the Plan as a whole, including information on payroll, contributions, actuarial assumptions and funding method, pension benefit obligation and ten year historical trend data. The New Hampshire Retirement System operates on a fiscal year ending June 30.

Deferred Compensation Plan

The DOC as an organization of state government offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all state employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employees or other beneficiaries) solely the property and rights of the State (without being restricted to the provisions of benefits under the Plan), subject only to the claims of the State's general creditors. Participants' rights under the Plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

Postemployment Health Care Benefits

In addition to the benefits described above, the DOC as an organization of State government provides postemployment health care benefits, in accordance with RSA 21-I:30, to all retired employees and their spouses on a non-contributory basis, as authorized by state statute.

During the nine months ended March 31, 1995, the State paid for the full cost of health insurance premiums for the retired employees and spouses on a pay-as-you-go basis. The cost of the health insurance for the DOC employees and spouses is a budgeted amount and is paid from an appropriation made to the administrative organization of the New Hampshire Retirement System. Certain amounts related to the cost for health insurance premiums

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3 -- EMPLOYEE BENEFIT PLANS (Continued)

Postemployment Health Care Benefits (Continued)

for the DOC's Group II retirees are off-set by a medical subtrust of the retirement plan. Accordingly, the cost of health insurance benefits for the retired DOC employees and spouses is not included in the DOC's financial statements.

NOTE 4 -- FEDERAL FUNDS

The DOC is the recipient of a federal grant entitled, Drug Control and System Improvement. The grantor agency is the U.S. Department of Justice. The funds from this grant are accounted for in the Special Fund and are used in the DOC's Pathways Program at the Lakes Region Facility. The purpose of the program is to offer male and female offenders comprehensive programming and treatment in the areas of drug rehabilitation, vocational/technical training and character development to result in enhanced rehabilitation and successful parole.

NOTE 5 -- HOLDING ACCOUNT

The unrestricted revenue line item entitled Holding Account, on the Combined Statement of Revenues and Expenditures - Budget and Actual - General and Special Funds represents amounts collected and deposited by the district offices that have not been distributed to final accounts. On a monthly basis the DOC allocates and disburses amounts collected by the district office to various DOC and other state agency revenue accounts and to various other organizations or individuals.

NOTE 6 -- CAPITAL LEASES

The DOC is involved in one capital lease arrangement. The DOC leases from Hillsborough County the women's correctional facility located in Goffstown, New Hampshire. The DOC operates the facility as the New Hampshire State Prison for Women. The lease term is for 15 years and covers the period November 1989 through November 2004. In accordance with the lease agreement, the DOC pays Hillsborough County in quarterly installments for the use of the facility. The annual lease amount is determined in conjunction with an annual appraisal of the facility by the New Hampshire Department of Revenue Administration. The Department of Revenue Administration annually appraises and determines an estimated full and fair cash value and an estimated annual lease amount for the property. The appraised value at June 30, 1994 was \$1,692,500 and the annual lease amount

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6 -- CAPITAL LEASES (Continued)

for fiscal year 1995 was \$160,800. As the property value and lease amount for the property are subject to change with each annual appraisal, the annual lease payments for the property over the remaining nine years of the lease term can not be determined.

NOTE 7 -- ACCOUNTS RECEIVABLE -- PATHWAYS PROGRAM

The DOC is required by state accounting policies to record accounts receivable at each June 30 year end. The DOC is not required by state accounting policy to record accounts receivable at March 31. As a result, at March 31, 1995 the DOC did not record \$103,930 in accounts receivable due from the U.S. Department of Justice related to the DOC's Pathways Program.

The effect of not recording accounts receivable was an understatement of revenue in the Special Fund of \$103,930 for the nine months ended March 31, 1995.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

**SCHEDULE OF BUDGETARY COMPONENTS
GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

	<u>OPERATING BUDGET</u>	<u>SUPPLEMENTAL APPROPRIATION WARRANTS</u>	<u>BALANCE BROUGHT FORWARD</u>	<u>TRANSFERS IN/ (OUT)</u>	<u>LAPSES</u>	<u>BUDGET</u>
<u>UNRESTRICTED REVENUE</u>						
Holding Account	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Community Corrections						
Room & Board	-0-	-0-	-0-	-0-	-0-	-0-
Supervision Fees	-0-	-0-	-0-	-0-	-0-	-0-
Collection Fees	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-
Secure Psychiatric						
Room & Board	-0-	-0-	-0-	-0-	-0-	-0-
Annulment Fees	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL UNRESTRICTED REVENUE	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>RESTRICTED REVENUE</u>						
Transfers From Other						
Agencies	\$ 442,394	\$ 355,001	\$ 179,949	\$ 334	\$ -0-	\$ 977,678
Inmate Housing						
Reimbursements	389,000	-0-	-0-	-0-	-0-	389,000
Federal Funds	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL RESTRICTED REVENUE	<u>\$ 831,394</u>	<u>\$ 355,001</u>	<u>\$ 179,949</u>	<u>\$ 334</u>	<u>\$ -0-</u>	<u>\$ 1,366,678</u>
<u>EXPENDITURES</u>						
Salaries and Benefits	\$35,289,308	\$(801,322)	\$ 28,760	\$(1,468,518)	\$ -0-	\$33,048,228
Inmate Medical & Dental	2,928,863	-0-	100,570	-0-	-0-	3,029,433
Food	2,326,646	(100,000)	-0-	-0-	-0-	2,226,646
Warehouse Replacement	-0-	-0-	2,157,196	-0-	(145,383)	2,011,813
Utilities	1,847,698	(100,000)	-0-	-0-	-0-	1,747,698
Current Expense	1,229,035	10,575	209,449	-0-	-0-	1,449,059
Inmate Wages	762,312	-0-	-0-	-0-	-0-	762,312
Maintenance	469,190	-0-	245,191	(19,800)	4,048	698,629
Transfers to Other Agencies	662,877	-0-	5,426	-0-	-0-	668,303
Other	236,062	6,362	412,185	(169,948)	-0-	484,661
Workers Compensation	-0-	407,530	-0-	-0-	-0-	407,530
Rent	375,373	-0-	-0-	-0-	-0-	375,373
Equipment	182,024	49,061	102,439	13,021	(37,500)	309,045
Inmate Clothing	268,062	-0-	-0-	-0-	-0-	268,062
Supplies	168,300	-0-	-0-	-0-	-0-	168,300
Consultants	134,000	16,985	1,671	-0-	-0-	152,656
Travel	124,405	-0-	-0-	19,800	-0-	144,205
TOTAL EXPENDITURES	<u>\$47,004,155</u>	<u>\$(510,809)</u>	<u>\$3,262,887</u>	<u>\$(1,625,445)</u>	<u>\$(178,835)</u>	<u>\$47,951,953</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

**SCHEDULE OF BUDGETARY COMPONENTS
SPECIAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

	<u>OPERATING BUDGET</u>	<u>SUPPLEMENTAL APPROPRIATION WARRANTS</u>	<u>BALANCE BROUGHT FORWARD</u>	<u>TRANSFERS IN/ (OUT)</u>	<u>LAPSES</u>	<u>BUDGET</u>
<u>UNRESTRICTED REVENUE</u>						
Holding Account	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Community Corrections						
Room & Board	-0-	-0-	-0-	-0-	-0-	-0-
Supervision Fees	-0-	-0-	-0-	-0-	-0-	-0-
Collection Fees	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-
Secure Psychiatric						
Room & Board	-0-	-0-	-0-	-0-	-0-	-0-
Annulment Fees	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL UNRESTRICTED REVENUE	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>RESTRICTED REVENUE</u>						
Transfers From Other						
Agencies	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Inmate Housing						
Reimbursements	-0-	-0-	-0-	-0-	-0-	-0-
Federal Funds	-0-	1,020,437	219,637	-0-	-0-	1,240,074
TOTAL RESTRICTED REVENUE	<u>\$ -0-</u>	<u>\$1,020,437</u>	<u>\$219,637</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,240,074</u>
<u>EXPENDITURES</u>						
Salaries and Benefits	\$ -0-	\$ 837,576	\$110,415	\$ 97,711	\$ -0-	\$1,045,702
Inmate Medical & Dental	-0-	-0-	-0-	-0-	-0-	-0-
Food	-0-	-0-	-0-	-0-	-0-	-0-
Warehouse Replacement	-0-	-0-	-0-	-0-	-0-	-0-
Utilities	-0-	9,000	-0-	-0-	-0-	9,000
Current Expense	-0-	21,096	113	-0-	-0-	21,209
Inmate Wages	-0-	-0-	-0-	-0-	-0-	-0-
Maintenance	-0-	5,000	-0-	-0-	-0-	5,000
Transfers to Other Agencies	-0-	50,051	154,323	(87,000)	-0-	117,374
Other	-0-	31,610	55,113	(10,000)	-0-	76,723
Workers Compensation	-0-	-0-	-0-	-0-	-0-	-0-
Rent	-0-	-0-	-0-	-0-	-0-	-0-
Equipment	-0-	60,224	12,395	-0-	-0-	72,619
Inmate Clothing	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	-0-	-0-	-0-	-0-	-0-	-0-
Consultants	-0-	-0-	24,061	(711)	-0-	23,350
Travel	-0-	5,880	843	-0-	-0-	6,723
TOTAL EXPENDITURES	<u>\$ -0-</u>	<u>\$1,020,437</u>	<u>\$357,263</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,377,700</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE (CASH BASIS)
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

<u>FEDERAL CATALOG NUMBER</u>	<u>FEDERAL GRANTOR / PROGRAM TITLE</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>
	DEPARTMENT OF JUSTICE		
16.580	Drug Control and System Improvement	\$ 510,000	\$ 632,087

APPENDIX A - STATUS OF PRIOR FINANCIAL AND COMPLIANCE AUDIT REPORT OBSERVATIONS

The following is a listing of observations contained in the audit report of the *Department of Corrections For The 18 Months Ended December 31, 1986*, dated June 26, 1987. Along with the listing is the June 30, 1995 status of these observations. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, Room 102, State House, Concord, N.H. 03301.

REPORTABLE CONDITIONS	<u>STATUS</u>
<ul style="list-style-type: none"> ● PAYROLL LEAVE RECORDS - Internal Controls (See Current Year Observation No. 5) ● EXPENDITURES - Clerical Errors ● INVENTORY - Lack of Perpetual Records (See Current Year Observation No. 10) ● APPROPRIATIONS - Amounts Brought Forward in Error ● HEALTH INSURANCE PREMIUM ALLOCATION - Lack of Audit Trail ● ACCOUNTS RECEIVABLE - MISSTATEMENT OF ACCRUAL ● EQUIPMENT - Absence of Identification Tags and Listing (See Current Year Observation No. 7) ● REAL PROPERTY SUMMARY - Use of Budgeted Costs v. Actual Costs 	<ul style="list-style-type: none"> ● ○ ● ● ● ○ ● ● ● ● ● ● ● ○ ● ●
STATE COMPLIANCE	
<ul style="list-style-type: none"> ● RSA REPORTING REQUIREMENTS - Annual Report ● EQUIPMENT REPORTING REQUIREMENTS - Monthly Reports ● BIENNIAL REPORT 	<ul style="list-style-type: none"> ● ● ● ● ○ ○

STATUS KEY

Fully resolved	● ●
Partially resolved	● ○
Unresolved	○ ○

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**APPENDIX B - STATUS OF PERFORMANCE AUDIT OBSERVATIONS
STATE OF NEW HAMPSHIRE PRISON EXPANSION, APRIL 1992**

The following is a summary of the observations and recommendations contained in the *State of New Hampshire Prison Expansion* Performance Audit Report dated April 1992. Along with the summary of each observation and recommendation is a symbol representing the **Department of Corrections' comment on the status** of these observations and recommendations as of June 30, 1995. A copy of the audit report can be obtained from the Office of Legislative Budget Assistant, Audit Division, Room 102, State House, Concord, N.H. 03301.

STATE PRISON OPERATIONS	DOC'S COMMENT ON STATUS
1. <u>PRISON SYSTEM CAPACITY.</u> The close housing unit, Hancock medium, medium north, medium south, and the women's prison are over capacity. DOC should review housing needs and consider modifications to alleviate overcrowding in those units.	○ ○
2. <u>PRISON STAFFING LEVELS.</u> The men's prison frequently does not meet its own staffing guidelines. DOC should review and validate the reasonableness of its staffing policies.	● ●
3. <u>ADEQUACY OF MEDICAL CARE.</u> The status of 44 of 118 items (37.3%) that formed the basis of the Laaman health services consent decree were rated as either inadequate or unknown. DOC should fully implement the consent decree.	● ●
4. <u>PRISONER RECLASSIFICATION.</u> Four out of a sample of 60 (6.7%) inmates were not reviewed for reclassification in a timely manner. DOC should apply reasonable reclassification standards in a timely manner without exception.	● ●
5. <u>"QUAY" ASSESSMENTS.</u> Twenty-eight of 60 inmates (46.7%) had not been given a Quay assessment in accordance with prison guidelines and, further, the value of the Quay assessment is questionable. DOC should validate the efficacy of the Quay assessment, and if found to be an appropriate assessment, it should be performed as required without exception.	● ●
6. <u>COMMUNITY CORRECTIONS.</u> There are no community corrections facilities in the Nashua and seacoast areas. DOC should confirm the need for such facilities.	● ○

APPENDIX B (Continued)

STATE PRISON OPERATIONS (Continued)	DOC'S COMMENT ON STATUS
7. <u>SUPERVISION OF ADULT SERVICES.</u> Warden of men's prison should not be director of adult services for entire prison system. DOC should separate positions.	○ ○
8. <u>ASBESTOS REMOVAL AT LAKES REGION FACILITY.</u> The magnitude of asbestos removal during renovations could not be determined. DOC should resolve all issues related to asbestos removal.	● ●
9. <u>ACCESS TO LAW LIBRARY.</u> Special Housing Unit (SHU) satellite law library did not have a knowledgeable legal assistant. DOC should provide SHU a knowledgeable legal assistant.	● ●
10. <u>SHU FOOD SERVICE.</u> At times food served to SHU inmates was not served at appropriate temperatures. DOC should purchase a food thermometer for use by SHU staff.	● ●
11. <u>EMPLOYEE GRIEVANCES.</u> DOC has an inordinate number of employee grievance appeals. Management and employees should explore ways to improve communication.	● ●
12. <u>PRISON INDUSTRIES.</u> Prison industries needs a marketing plan and a business advisory board. DOC should prepare a marketing plan and establish a business advisory board.	○ ○
13. <u>POLICY AND PROCEDURE DIRECTIVES.</u> DOC does not adequately monitor compliance with its policy and procedure directives. The DOC internal auditor should monitor compliance.	● ●
PAROLE BOARD OPERATIONS	
14. <u>PAROLE DISCHARGES AND TRANSFERS.</u> The parole board's response to requests to discharge and transfer parolees is deficient. The board should seek technical assistance on this issue.	● ●
15. <u>SUMMARY INFORMATION.</u> Each parolee's "summary" is an average of 50 pages and is not provided to board members in a timely manner before the hearing. Summaries should be concise and timely.	● ●

APPENDIX B (Continued)

PAROLE BOARD OPERATIONS (Continued)	DOC' s COMMENT ON STATUS
16. <u>DELIVERY OF SUMMARIES.</u> Board's executive assistant or her spouse were delivering summaries. Board should use postal service, UPS, Federal Express, or similar vendors.	● ●
17. <u>DOC - PAROLE BOARD COOPERATION.</u> There are cooperation and communication problems between DOC and the parole board. The DOC and parole board relationship should be cooperative.	● ●
FIELD SERVICE OPERATIONS	
18. <u>CASELOAD MANAGEMENT.</u> Probation and parole caseload management needs improvement. Probation and parole officers should adhere to caseload management policies and procedures.	● ○
19. <u>SUPERVISION STANDARDS.</u> Probation and parole officers are not in compliance with supervision standards. DOC should adopt reasonable supervision standards and apply them consistently.	● ○
20. <u>CHRONOLOGICAL SUMMARIES.</u> Some chronological narrative summaries are of poor quality or are incomplete. DOC should improve the quality and completeness of the summaries.	● ○
21. <u>STAFFING FOR INTERMEDIATE SANCTION PROGRAMS</u> The legislature funded six intensive supervision program probation and parole officers, but DOC had only utilized four officers. DOC should reallocate resources to provide six full time I.S.P. probation and parole officers.	● ●
22. <u>ADMINISTRATIVE PRACTICES.</u> Administrative and other paperwork requirements are taking too much time from offender supervision. DOC should explore ways to reduce paperwork.	● ○
23. <u>COLLECTIONS.</u> DOC cannot measure the effectiveness of its collections of fines, restitution, and legal fees and reports regarding those collections are inaccurate. DOC should devise a system to measure collections effectiveness and ensure correct reporting.	● ●

APPENDIX B (Continued)

FIELD SERVICE OPERATIONS (Continued)		DOC' s COMMENT ON STATUS
24.	<u>COMMUNITY SERVICES SANCTIONS.</u> DOC has not fully utilized community service as a sentencing option. DOC should consider implementing a statewide community service program.	● ○
25.	<u>PLANNING FOR SERVICES.</u> Many plans suggesting improvements in probation and parole services have been ignored. DOC should reconsider past suggestions for improvement and adopt those with merit.	● ●
26.	<u>OFFICERS EQUIPMENT AND SUPPLIES.</u> Many probation and parole officers lack basic safety equipment and essential supply items. DOC should provide officers with basic equipment and supplies.	● ○
27.	<u>DRUG TESTING.</u> DOC cannot test offenders for the drug LSD. DOC should commit funds to provide for LSD testing where appropriate.	● ○
28.	<u>RISK ASSESSMENT FORM.</u> The form used by probation and parole officers to assess offender risk is unsatisfactory. DOC should consider revising its risk assessment scale.	● ○
29.	<u>TRAINING PROGRAM.</u> Three areas of concern related to the probation and parole training program: content, timeliness, and efficiency. DOC should ensure that training is appropriate in content, is provided in a timely manner, and is efficient.	● ●
30.	<u>ADMINISTRATIVE HOME CONFINEMENT.</u> DOC lacks authority for administrative home confinement. DOC should adopt rules specifically addressing administrative home confinement.	● ●
31.	<u>JUDICIAL ASSESSMENT OF PERFORMANCE.</u> Although judges are generally satisfied with probation and parole services, some areas could be improved. DOC should improve services to courts.	● ●

APPENDIX B (Continued)

SYSTEM-WIDE PLANNING & MANAGEMENT		DOC'S COMMENT ON STATUS
32. <u>LONG-RANGE PLANNING.</u> DOC lacks coordinated long-range criminal justice planning that emphasizes a system-wide strategy for programs and facilities. DOC should fund a comprehensive study of future needs and work to convene a special commission composed of representatives of all elements of the criminal justice system.		● ●
33. <u>MANAGEMENT INFORMATION SYSTEM.</u> DOC lacks a fully automated and integrated offender records management system. DOC should have an automated, integrated management information system.		● ○
34. <u>COST ACCOUNTING.</u> DOC financial information often does not accurately reflect all program costs such as principal and interest costs related to capital projects. DOC should include all pertinent costs related to programs in its financial information.		○ ○
35. <u>RECIDIVISM.</u> DOC definition of recidivism is too narrow. DOC should revise its definition to include all measures and levels of criminal activity.		● ●
36. <u>COUNTY CORRECTIONS DATA.</u> There is no state-wide collaboration regarding the collection, exchange, and standardization of corrections information. County correctional information should be submitted to DOC.		● ○
37. <u>CAPITAL BUDGET REPORTING REQUIREMENTS.</u> DOC did not report annual operating costs associated with its capital expansion program. DOC should provide operating costs associated with capital projects.		● ●

STATUS KEY

Fully resolved	● ●
Partially resolved	● ○
Unresolved	○ ○

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