STATE OF NEW HAMPSHIRE
COMMISSION FOR HUMAN RIGHTS

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

STATE OF NEW HAMPSHIRE
COMMISSION FOR HUMAN RIGHTS

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STATE OF NEW HAMPSHIRE
COMMISSION FOR HUMAN RIGHTS

Reporting Entity And Scope

The reporting entity of this audit and audit report is the New Hampshire Commission for Human Rights. The scope of this audit and audit report includes the financial activity of the New Hampshire Commission for Human Rights reported in the State's General Fund for the six months ended December 31, 2008. Unless otherwise indicated, reference to the Commission or auditee refers to the New Hampshire Commission for Human Rights.

Organization

The New Hampshire Commission for Human Rights is established by RSA 354-A:3 and consists of seven members. Commission members are appointed by the Governor, with the consent of the Executive Council, to five-year terms. The Governor designates one member to be chair of the Commission.

The Commission by RSA 354-A:5, III, has the authority to appoint such attorneys, clerks, and other employees and agents as it may deem necessary, fix their compensation within limitations provided by law, and prescribe their duties.

Responsibilities

RSA 354-A:1 provides the Commission, a State agency, is "created with power to eliminate and prevent discrimination in employment, in places of public accommodation and in housing accommodations because of age, sex, race, creed, color, marital status, familial status, physical or mental disability or national origin … [and] shall exercise their authority to assure that no person be discriminated against on account of sexual orientation."

The Commission has the power to receive, investigate, and pass upon complaints of illegal discrimination and to engage in research and education designed to promote good will and prevent discrimination.

Funding

The financial activity of the New Hampshire Commission for Human Rights is accounted for in the General Fund of the State of New Hampshire. A summary of the Commission's revenues and expenditures for the six months ended December 31, 2008 is shown in the following schedule.

Summary Of Revenues And Expenditures - General Fund
For The Six Months Ended December 31, 2008

Total Revenues	$ 5,850
Total Expenditures	306,079
Excess (Deficiency) Of Revenues Over (Under) Expenditures	**(300,229)**
Other Financing Sources (Uses)	
Net General Fund Appropriations	300,229
Total Other Financing Sources (Uses)	**300,229**
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	**$ -0-**

Prior Audit

The most recent prior financial audit of the New Hampshire Commission for Human Rights was for the eighteen months ended December 31, 1987.

Audit Objectives And Scope

The primary objective of our audit was to express an opinion on the fairness of the presentation of the financial statement of the New Hampshire Commission for Human Rights for the six months ended December 31, 2008. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we considered the effectiveness of the internal controls in place at the Commission and tested its compliance with certain provisions of applicable State and federal laws, rules, regulations, and contracts. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Revenues and Expenditures.

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

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

To The Fiscal Committee Of The General Court:

We have audited the Statement of Revenues and Expenditures, General Fund, of the New Hampshire Commission for Human Rights (Commission) for the six months ended December 31, 2008 and have issued our report thereon dated April 6, 2009, which was qualified as the financial statement does not constitute a complete financial presentation of the Commission. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Observations No. 1 through No. 8 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance And Other Matters

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

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

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

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

April 6, 2009

Internal Control Comments
Significant Deficiencies

Observation No. 1: Policies And Procedures Should Be Established For Timely Drawing And Reporting Of Federal Contract Revenues

Observation:

The Commission does not process and report its federal contract revenue in an efficient and effective manner with regards to the State's cashflow and financial reporting needs.

The Commission contracts with the U.S. Equal Employment Opportunity Commission (EEOC) to investigate charges of employment and other discrimination. The contract provides the EEOC will pay the Commission a flat-rate per-charge amount for the intake and investigation of charges of discrimination subject to the contract. The contract covers the October 1 through September 30 federal fiscal year period and contains a limit on the number of cases subject to payment under the contract.

1. The Commission does not draw federal funds as soon as allowed by its contract with the EEOC. As a result, the Commission incurs an unnecessary cash-flow opportunity cost. The contract allows the Commission to draw funds quarterly, with up to 50% of the contract amount to be drawn at the beginning of the contract period. The Commission currently draws federal funds twice per contract period, early in the contract period, and once after the contract period has ended.

   The Commission drew federal funds once during the six months ended December 31, 2008. On September 25, 2008, the Commission drew $45,600 reflecting cases completed for the period March through September 2008. As of April 6, 2009, as a result of federal EEOC budget delays, the Commission was unable to draw federal funds for federal contract year 2009 activity.

2. The Commission does not report federal contract funds available to be drawn as accounts receivable at State fiscal year end. According to the Commission, it was unaware it should report accounts receivable for its contract revenue. By not reporting accounts receivable at June 30, 2008, the Commission understated fiscal year 2008 revenues by $39,750. An adjustment for this amount has been included in the accompanying financial statement for the six months ended December 31, 2008.

Recommendation:

The Commission should establish appropriate policies and procedures to process and report federal contract revenue in an efficient and effective manner. The Commission should consult with the Department of Administrative Services to obtain guidance for appropriate policies and procedures if necessary.

1. The Commission should draw federal funds as soon as allowed by its contract with the EEOC, to minimize the cash-flow costs to the State's General Fund.
2. The Commission should identify and report to the State's Bureau of Financial Reporting amounts receivable at June 30 from its federal contract activity for State financial reporting purposes.

Auditee Response:

We concur.

The Commission will draw federal funds as soon as allowed by the EEOC contract.

The Commission's ability to voucher for federal funds is dependent on the issuance of an annual federal contract. Congress only recently appropriated a budget to the EEOC and to date, no contracts have been issued to any of the Fair Employment Practices Agencies (FEPAs).

We concur the Commission should report Federal contract funds due as accounts receivable at State fiscal year end. It should be understood however, that the Federal revenue amount can be downwardly modified right up to the end of the Federal fiscal year.

Observation No. 2: Reimbursements Of Commission Expenses Should Be Recorded As Revenues

Observation:

The Commission does not consistently record amounts received by the Commission as revenues. Certain travel expense reimbursements and proceeds from training programs provided by the Commission are recorded in the State's accounting system (NHIFS) as reductions of expenditures instead of revenues. Receipts improperly recorded as reductions of expenditures result in an unauthorized increase in the Commission's budgeted authority to expend.

1. All Commission investigative staff attend training sessions sponsored by the U.S. Equal Employment Opportunity Commission (EEOC). The EEOC reimburses the Commission for the travel costs incurred by the staff attending these training sessions.

   During fiscal year 2008, the Commission recorded $3,700 of EEOC travel reimbursements as negative expenditures. During the six months ended December 31, 2008, the Commission incurred $1,124 of EEOC training costs. While the Commission had submitted for reimbursement of these travel costs on September 24, 2008, the Commission had not received payment as of December 31, 2008.

   The Commission properly recorded fiscal year 2007 EEOC training reimbursements as revenue.

2. During the six months ended December 31, 2008, the Commission received approximately $800 in payment for training and $385 for copies of documents provided by the Commission to outside organizations. The Commission recorded these receipts as negative expenditures in NHIFS.

According to the Commission, the employee responsible for recording these transactions had not been trained as to the proper accounting treatment for these transactions.

Recommendation:

The Commission should record all amounts received as revenues. Negative expenditures generally should only be used to record corrections to prior expenditures, such as a refund for a cancelled expenditure transaction. All transactions that are foreseeable, such as recovery of travel expenses for required training programs, should be budgeted as restricted revenue by the Commission.

Auditee Response:

We concur.

We will record all amounts received from Federal and other sources for training, travel, meals, and document copies as revenue.

For clarification, all Commission investigative staff attend training *upon hire* and thereafter when available. The Director attends annual EEOC national training. The Director and sometimes the Assistant Director attend annual regional training.

The State reimburses employees' travel and meals expenses upon their return, whether the travel is in state or out of state from our respective budget object codes for those items. This would be an appropriate expenditure of state travel funds from the budgeted for classes.

Thereafter, a voucher is prepared for submission to the EEOC for reimbursement for travel and meals expenses. We concur this would be revenue from our federal source of funds.

The failure of the EEOC to reimburse our $1,124 in training costs before December 31, 2008 is not for lack of vouchering and revouchering. We are still pursuing this.

Observation No. 3: Case Information Systems Should Be Periodically Reconciled

Observation:

The Commission does not regularly compare and reconcile information in its two case-status systems to check for and resolve inconsistent information in the systems.

The Commission maintains an automated charge information system (IMS) provided by the U.S. Equal Employment Opportunity Commission (EEOC) and a manual log to track information related to charges of discrimination subject to Commission review. While the Commission uses the IMS to report certain activity to the EEOC, it uses the manual log to invoice EEOC for cases closed and eligible for federal funding under the Commission's contract with the EEOC.

A review of the status of 174 charges recorded in the manual log and IMS indicated 15 (8.6%) instances where the charges were improperly identified in the IMS as closed with a "failure to respond" code, which should have been identified as closed with a "failure to cooperate" code. A case coded as failure to respond is not eligible for federal contract credit while a case coded as failure to cooperate is eligible. Since the Commission uses the manual log as its primary source to invoice the EEOC, the Commission was properly reimbursed for the charges incorrectly identified in the IMS. While a legal review is performed for all charge files for accuracy, completeness, and compliance with laws and regulations prior to their closure in the IMS system, there are no controls in place to ensure the information has been accurately entered into IMS and accurately recorded in the Commission's manual log. The Commission was unaware the two systems reported inconsistent information prior to questions from the auditors regarding these noted charges.

Recommendation:

The Commission should consider the need to continue utilizing a manual charge log. The Commission should determine whether the IMS could provide all information required by the Commission.

If the Commission determines it needs to continue to maintain a manual charge log in addition to the IMS, the Commission should institute a review and reconciliation process for the two charge-status information systems to reasonably ensure the two systems report consistent and accurate information.

The Commission should review the cause of the inconsistent information observed in the two systems during the six months ended December 31, 2008. The Commission should take steps to reasonably ensure the Commission's ongoing control processes will detect and correct similar errors in the future.

Auditee Response:

We concur.

We need to continue to keep both a manual and electronic docketing system since the electronic system is relatively new, and some of our cases are older and cannot be closed on that system, since the charge was not opened on the system. We also need the charges filed and administrative closure information for Board meetings. If IMS is down, as it was Thursday April 2, 2009, charge statistics need to be available to us, and the manual docketing system allows us to produce necessary statistical information. We do reconcile the system monthly before monthly reports are sent to the EEOC.

The coding of "failure to cooperate" vs. "failure to respond" reflects changes in EEOC coding resulting from regulation changes on the federal level (but not the State level). In addition, the codes on the monthly EEOC reporting form are not the same as the codes in IMS.

Observation No. 4: Contract Documents Should Be Maintained And Utilized

Observation:

At the time of the audit, the Commission was unable to locate a complete copy of its contract with the U.S. Equal Employment Opportunity Commission (EEOC) when the auditors requested a copy. A copy of the document was subsequently obtained from the Commission's EEOC district office in New York. The EEOC contact also recommended the Commission have a *Contracting Principles* and a *State and Local Handbook* on file, as these documents include important provisions related to the Commission's contract with the EEOC. Subsequent to the receipt of the documents from the EEOC, the Commission reported a copy of the contract was located in the Commission's files.

Recommendation:

The Commission should obtain and periodically review documentation related to its contract with the EEOC to ensure that Commission practices, and employees involved in those practices, are compliant with and knowledgeable about significant contract provisions.

Auditee Response:

We concur.

We did locate the contract and did not have the State and Local Handbook. We did not have all pages of our contract when initially asked to produce our contract. We attribute this to the way the Federal Government issues contracts. There is a Work-Share Agreement. Then there are a series of contract modifications, which are unilateral. These modifications can occur once, twice, up to 4 or 5 times in a fiscal year.

Observation No. 5: Compliance With Contract Provisions Should Be Better Documented

Observation:

The Commission did not consistently comply with guidelines in its contract with the U.S. Equal Employment Opportunity Commission (EEOC) during the six months ended December 31, 2008.

The Commission's responsibilities related to its contract with the EEOC are described in a *Contracting Principles* document and a *State and Local Handbook.* The following are instances where the Commission was not in strict compliance with certain of the contract and other guiding provisions.

1. All charges submitted for credit under this contract shall be completed by the Contractor between October 1 and September 30 (Section C.1, III, C of the contract).

    - The Commission did not consistently close its cases timely. Instances were noted where case activity was essentially completed during the 2008 contract period yet the cases were not formally closed until after the start of the 2009 contract period. As a result, cases that would not have generated EEOC payments to the Commission under the 2008 contract did generate payments, as the Commission submitted the cases under the subsequent 2009 contract. Available Commission minutes indicate the Commission intentionally delayed closing cases until funding for the cases became available under the new contract.

      While the Commission presented some documentation indicating the EEOC was aware of and allowed the Commission to intentionally delay the closing of cases in order to provide for federal payments under a subsequent contract, this practice may be regarded as an unallowed avoidance of a federal contract condition.

      Out of 72 charges reported closed in October 2008, at least 35 (49%) were not closed timely. Based upon documentation available in the case file, those 35 cases reported closed in October 2008 should have been closed in September or earlier, under the prior contract. Had those cases been formally closed under the prior contract, the Commission would have exceeded its contract limit and the Commission would not have been able to recover $19,250 of federal revenue for those cases.

      The untimely closure condition was also apparent when reviewing the contract's production provision, which requires the Commission to produce during each quarter of the contract period approximately 25% of the total charge resolutions required under the contract. According to the monthly charge resolution summaries, the Commission produced approximately 29-35% of its total charge resolutions during each of the first three quarters of the 2008 contract period (i.e. October 2007 through June 2008). As a result, the Commission had processed 94% of its contract limit prior to the start of the fourth quarter of the 2008 contract period. (July through September 2008).

2. Contract credit submissions will include final dispositions of charge. When administrative appeal rights exists, the final disposition of a charge occurs only after the time for appeal has expired or the appeal has been processed to completion (Section C.1, III, C, 4 of the contract).

    - In each of seven cases selected for testing for which the administrative appeal right was applicable, the Commission formally closed the case prior to the expiration of the administrative appeal period.

3. Databases are expected to be reconciled on a quarterly basis (Section III, B, 5, b of the *Contracting Principles*).

   - The Commission reconciles its database with EEOC on an annual basis.

Recommendation:

The Commission should maintain a complete set of contract documents. The Commission should regularly review the federal requirements with employees to ensure employees are and remain cognizant of contract criteria. The Commission should develop appropriate policies and procedures to promote compliance with all applicable federal requirements.

The Commission should review the number of cases anticipated to be closed during the contract period and work with the EEOC to revise its contract limits if necessary to secure appropriate funding for completed cases. The Commission should not intentionally delay the formal closing of cases simply to make the cases eligible for federal participation.

Auditee Response:

We concur.

1. The Commission believes it works in partnership with the New York District office and through it, Washington, to revise contract numbers, and negotiate in what is often a unilateral last minute contract modification.

2. The Commission will diary for closure 30 days from the date of the transmittal letter to the parties where appellate rights exist. Appeals to the Superior Court, if successful, may still result in reopening the case by remand order. The Commission would only learn of that upon receiving the order.

3. The Commission has tried to reconcile IMS with the EEOC on a quarterly basis. For reasons unknown to the Commission, this has not been possible.

Observation No. 6: Review And Approval Function Should Be Established For Recording Employee Leave Transactions

Observation:

The Commission does not have a review and approval function for recording leave time in the State's automated payroll system (GHRS). One Commission employee is responsible for entering all leave records into GHRS, including the employee's own leave usage and accrual transactions. There is no review and approval process at the Commission to ensure employee leave records entered into GHRS are accurate and complete.

The lack of a review and approval function for recording leave transactions increases the risk that errors occurring in the posting of employee leave in GHRS, whether due to error or fraud, will not be detected and corrected in a timely manner.

Recommendation:

The Commission should consider establishing a review and approval process for recording employee leave transactions in GHRS.

Auditee Response:

We concur.

A review process has been instituted whereby the Assistant Director, or if unavailable the Executive Director will review entry of leave in NH First (replacement for GHRS).

Observation No. 7: Cause Of Payroll Errors Should Be Determined And Resolved

Observation:

During calendar year 2008, the Commission was faced with a payroll situation that required unusual payroll processing and accounting. Although the Commission requested direction from the Department of Administrative Services at the beginning of calendar year 2008 when the situation was initially identified, due to the Commission's lack of understanding of proper protocol regarding leave without pay procedures, an employee received pay for holidays and accrued leave that was unearned.

The Commission subsequently noted the error and contacted the Department of Administrative Services to correct the overpayments and recover the amounts paid in error. The Commission did request and receive a repayment of $3,514 from the employee.

Recommendation:

The Commission should ensure that its staff has sufficient knowledge and training to perform required payroll procedures. If in the future the Commission finds it is faced with unusual accounting transactions, the Commission should take steps to ensure that it both requests advice when needed and also has the necessary information and expertise to follow the advice received. If the Commission finds that it does not have the appropriate trained and experienced staff in these circumstances, the Commission should request additional assistance from the Department of Administrative Services.

Auditee Response:

We concur.

The Commission takes responsibility for one of the payment errors resulting in compensating the employee.

As a small agency without a “payroll department” we rely on the expertise of those more experienced with such matters, however, when it comes to the issue of accrued leave, inconsistent direction was received from the Department of Administrative Services.

The Commission cannot take responsibility for inconsistent direction on holiday pay.

If something like this were to occur in the future, we would again contact the Department of Administrative Services.

Observation No. 8: Procedures Should Be Established To Remind Commission Members Of Statement Of Financial Interests Filing Requirements

Observation:

Not all Commission members filed 2008 Statement of Financial Interests timely. The Executive Director and three of the Commission’s seven Commissioners did not file Statements of Financial Interest disclosures for the 2008 calendar year. Statements of Financial Interests are required by RSA 15-A:3.

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

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

Recommendation:

The Commission should establish procedures to annually remind Commission members of their statutory responsibility to submit a Statement of Financial Interests to the Secretary of State.

Auditee Response:

We concur.

The Commission Chair and Director will send notice to the Commissioners in early January about their disclosure responsibility under RSA 15-A:3:6.

Independent Auditor's Report

To The Fiscal Committee Of The General Court:

We have audited the accompanying Statement of Revenues and Expenditures, General Fund, of the New Hampshire Commission for Human Rights (Commission) for the six months ended December 31, 2008. This financial statement is the responsibility of the management of the Commission. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. 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 discussed in Note 1, the financial statement of the Commission is intended to present certain financial activity of only that portion of the State of New Hampshire that is attributable to the transactions of the Commission. The Statement of Revenues and Expenditures, General Fund, does not purport to and does not constitute a complete financial presentation of either the Commission or the State of New Hampshire in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards,* we have also issued a report dated April 6, 2009 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

April 6, 2009

STATE OF NEW HAMPSHIRE
COMMISSION FOR HUMAN RIGHTS

STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
FOR THE SIX MONTHS ENDED DECEMBER 31, 2008

Revenues	
Restricted Revenues	
Federal Program	$ 5,850
Total Restricted Revenues	5,850
Total Revenues	**5,850**
Expenditures	
Salaries And Benefits	271,454
Rents/Leases Other Than State	21,589
Current Expenses	7,488
Transfers To Office Of Information Technology	3,556
Travel	1,992
Total Expenditures	**306,079**
Excess (Deficiency) Of Revenues Over (Under) Expenditures	**(300,229)**
Other Financing Sources (Uses)	
Net General Fund Appropriations (Note 3)	300,229
Total Other Financing Sources (Uses)	**300,229**
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	**$ -0-**

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

STATE OF NEW HAMPSHIRE
COMMISSION FOR HUMAN RIGHTS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The New Hampshire Commission for Human Rights (Commission) is an organization of the primary government of the State of New Hampshire. The accompanying financial statement reports certain financial activity of the Commission.

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

B. Financial Statement Presentation

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

<u>Governmental Fund Type:</u>

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

C. Measurement Focus And Basis Of Accounting

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

D. Budget Control And Reporting

General Budget Policies

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

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

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

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

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

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. The Commission's unliquidated encumbrance balance in the General Fund at December 31, 2008 was $18,182.

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

NOTE 2 - DEFERRED REVENUE

The General Fund reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of December 31, 2008, the Commission had $51,850 of deferred revenue resulting from its federal program activity. This revenue will become available to the Commission upon the formal approval of the 2009 federal program contract.

NOTE 3 - NET GENERAL FUND APPROPRIATIONS

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

NOTE 4 - EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

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

Group I members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of AFC multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service. Members in service with ten or more years of creditable service who are between ages 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

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

All covered Commission employees are members of Group I.

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

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

The Commission's payments for normal contributions for the six months ended December 31, 2008 amounted to 8.74% of the covered payroll for its Group I employees. The Commission's normal contributions for the six months ended December 31, 2008 were $16,767.

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

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

Other Postemployment Benefits

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses within the limits of the funds appropriated at each legislative session. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired after July 1, 2003 to have 20 years of State service in order to qualify for health insurance benefits. These and similar benefits for active employees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, which is the State's self-insurance fund implemented in October 2003 for active State employees and retirees. The State recognizes the cost of providing these benefits on a pay-as-you-go basis by paying actuarially determined contributions into the fund. The New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees also contributes to the fund.

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

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

STATE OF NEW HAMPSHIRE
COMMISSION FOR HUMAN RIGHTS
SUPPLEMENTARY INFORMATION
BUDGET TO ACTUAL SCHEDULE - GENERAL FUND
FOR THE SIX MONTHS ENDED DECEMBER 31, 2008

	Original Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Restricted Revenues			
Federal Program	$ 119,763	$ 5,850	$ (113,913)
Total Restricted Revenues	119,763	5,850	(113,913)
Total Revenues	**119,763**	**5,850**	**(113,913)**
Expenditures			
Salaries And Benefits	602,912	271,454	331,458
Rents/Leases Other Than State	43,599	21,589	22,010
Current Expenses	19,614	7,488	12,126
Transfers To Office Of Information Technology	15,923	3,556	12,367
Equipment	664	-0-	664
Audit Fund Set Aside	176	-0-	176
Transfers To Other State Agencies	200	-0-	200
Travel	5,005	1,992	3,013
Total Expenditures	**688,093**	**306,079**	**382,014**
Excess (Deficiency) Of Revenues Over (Under) Expenditures	**(568,330)**	**(300,229)**	**268,101**
Other Financing Sources (Uses)			
Net General Fund Appropriations	568,330	300,229	268,101
Total Other Financing Sources (Uses)	**568,330**	**300,229**	**268,101**
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	**$ -0-**	**$ -0-**	**$ -0-**

The accompanying note is an integral part of this schedule.

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

Note 1 - General Budget Policies

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

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

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

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

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

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

Variances - Favorable/(Unfavorable)

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

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

STATE OF NEW HAMPSHIRE
COMMISSION FOR HUMAN RIGHTS
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2008

Federal Catalog Number	Federal Grantor *Federal Program Title*	**Expenditures**	**Pass Thru Percent**
	Equal Employment Opportunity Commission		
30.002	*Employment Discrimination - State And Local Fair Employment Practices Agency Contracts*	$ 45,600	0%
	Total	**$ 45,600**	

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