

LBA Financial Audit Report Summary:

State Treasury Audit Report For the Year Ended June 30, 2002

Reporting Entity and Scope

The reporting entity of this audit is the New Hampshire State Treasury (Treasury), excluding the custody and escheat of unclaimed and abandoned property pursuant to RSA 471-C.

Organization

Treasury operates under the executive direction of the State Treasurer, a constitutional officer elected biennially by a joint ballot of the Senate and House of Representatives. Assisting, and appointed by the Treasurer, is a chief deputy treasurer, a deputy treasurer, and two assistant treasurers, all of whom are unclassified State employees. Treasury also employed 18 classified employees at June 30, 2002.

Treasury's primary responsibility is the management of the State's cash, investments, debt, and trust funds as described below.

Cash Management

The Treasurer serves as custodian over the State's receipt of funds and is responsible for the payment of all State operating expenses. RSA 6:7 establishes the State policy for depositing public monies. Part 2, Article 56 of the New Hampshire State Constitution requires all payments made from the Treasury, except debt obligations, to be authorized by warrant under the hand of the Governor, with the advice and consent of the Executive Council.

Investment Management

Treasury is also responsible for investing State funds to maximize the return on funds while considering cash flows and liquidity requirements. The Treasury invests funds, above those necessary to meet operating expenses, in various low risk instruments as set forth in RSA 6:8. As of June 30, 2002, Treasury had approximately \$485 million invested.

Debt Management

Treasury is responsible for developing long-term debt plans, tracking the status of the State's debt, and making debt service payments on all State bonds and notes.

In accordance with RSA 6:13, Treasury is authorized to borrow, on a short term basis, such sums as may be necessary when it is anticipated that there will not be sufficient

general funds to meet current obligations. The total of this temporary borrowing for the General Fund may not exceed \$200 million. There were no temporary borrowings outstanding at June 30, 2002.

Bonds may be issued, when authorized by the Governor and Council, for specified projects or purposes. Bonds are not issued after every statutory authorization. Instead, Treasury monitors the status of capital projects and then issues bonds to cover several authorizations. Except for revenue bonds, such borrowing usually constitutes general obligation debt of the State. The total balance of general obligation bonds issued for governmental activities outstanding at June 30, 2002 was approximately \$660.2 million.

Fiduciary Funds

In accordance with RSA 11:1, all trust funds left to and accepted by the State shall be in the custody of the State Treasurer. Treasury holds these funds as agency funds for other State government units and invests the funds as directed by those government units. Treasury held approximately \$186 million in trust funds at June 30, 2002.

Funding

Treasury is funded primarily by appropriations in the General and Capital Projects Funds. The fiscal year 2002 appropriations combined with supplemental warrants, balances forward, and transfers resulted in spending authority of \$137,984,422 in the General Fund and \$1,622,749 in the Capital Projects Fund. Estimated revenue for fiscal year 2002 totaled \$7,046,841 in the General Fund with actual revenue received equaling \$3,173,787.

The auditor's report on the Treasury's financial statements was qualified with respect to the lack of presentation of the financial position of the Treasury in the government-wide and fund financial statements.

The audit report included auditor's reports on compliance and internal control over financial reporting and on management issues. The following is a list of the comments in the report.

Internal Control Comments

- Revenue Sharing Payments Should Be Reviewed And Documented
- Investment Transactions Should Be Subject To An Effective Review And Approval Procedure
- Debt Management System Should Have The Capacity To Provide Complete Debt Accounting
- Accounting For State-Guaranteed Debt Should Be Improved
- Risk Categorization Of Cash And Investments Should Be Reviewed
- Unique College Savings Plan Reimbursements Should Not Exceed Expenditures Incurred
- The Rooms And Meals Distribution Should Be Adequately Reviewed

Compliance Comments

State Compliance

- Abandoned Property Escheatment Proceeds Should Be Distributed Timely

Federal Compliance

- Treasury-CMIA Federal Agreement Should Be Updated Timely

Management Issues Comments

- Current Status Of Foreign Escheated Estates Account Should Be Reviewed
- Disaster Recovery And Business Continuity Plans Should Be Established