# STATE OF NEW HAMPSHIRE

## SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

## FOR THE YEAR ENDED JUNE 30, 2014

**PREPARED BY:**
**DEPARTMENT OF ADMINISTRATIVE SERVICES**

# STATE OF NEW HAMPSHIRE

# SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

# FOR THE YEAR ENDED JUNE 30, 2014

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# State of New Hampshire

**DEPARTMENT OF ADMINISTRATIVE SERVICES**
**OFFICE OF THE COMMISSIONER**
**25 Capitol Street – Room 120**
**Concord, New Hampshire 03301**

**LINDA M. HODGDON**
**Commissioner**
**(603) 271-3201**

**JOSEPH B. BOUCHARD**
**Assistant Commissioner**
**(603) 271-3204**

## LETTER OF TRANSMITTAL

*To The Fiscal Committee Of The General Court:*

We hereby submit the annual Single Audit Report of the State of New Hampshire for the year ended June 30, 2014. This audit has been performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The report that follows provides the results of the work conducted to satisfy the requirements of Title 31, Chapter 75, United States Code, otherwise known as the Single Audit Act and the related Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the U.S. Office of Management and Budget.

This report is presented in seven major sections:

- Introduction and Summary Table of Federal Program Expenditures by State Agency (section B)
- Basic Financial Statements with the Independent Auditors' Report (section C)
- Auditor's Reports on Compliance and on Internal Control (section D)
- Schedule of Expenditures of Federal Awards (section E)
- Schedule of Current Year Findings and Questioned Costs (section F)
- Status of Prior Years' Findings and Questioned Costs (section G)
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While only the basic financial statements are reproduced in this report, the complete *New Hampshire Comprehensive Annual Financial Report* and the related *Management Letter* for the year ended June 30, 2014, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 27, 2015

This report can be accessed online at http://admin.state.nh.us/accounting

FAX: 603-271-6600 TDD ACCESS: RELAY NH 1-800-735-2964

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# STATE OF NEW HAMPSHIRE
# SINGLE AUDIT
# FOR THE YEAR ENDED JUNE 30, 2014

## INTRODUCTION

The Single Audit Act requires annual audits of the State's federal financial assistance programs. The specific audit and reporting requirements are set forth in U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (A-133).*

This report is divided into sections: the State's fiscal year 2014 financial statements with related footnotes (section C), the auditors' reports on compliance and internal control (section D), the schedule of expenditures of federal awards (section E), the schedule of current year findings and questioned costs (section F), the status of prior years' findings (section G), and appendices (section H).

The Schedule of Expenditures of Federal Awards (the Schedule) reports federal expenditures for each federal financial assistance program by federal agency, as identified by the Catalog of Federal Domestic Assistance (CFDA) number, and is used for identifying Type A and Type B programs. Type A federal programs for the State of New Hampshire are those programs with annual federal expenditures that equal or exceed $5,293,863. All other programs are classified as Type B programs.

The identification of Type A and B programs is used to determine which federal programs will be tested in detail for compliance with federal laws and regulations. Under A-133, the auditor uses a risk-based approach to testing. Once programs are classified as Type A or B, they are then assessed as either high or low risk programs. High-risk Type A and select Type B programs are considered major programs and are tested in detail for compliance with federal regulations. In addition, all Type A programs must be tested at least once every three years. For fiscal year 2014, 32 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2014, the State administered 308 federal programs, with total federal expenditures of approximately $1.76 billion. Of those programs, Type A programs/clusters accounted for 90% of total federal expenditures, with the Medicaid program cluster accounting for 42% of total expenditures. The remainder of this section groups Type A federal programs by the State agency responsible for program administration.

## STATE OF NEW HAMPSHIRE

## SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
## BY STATE AGENCY
## FOR THE YEAR ENDED JUNE 30, 2014

| *STATE AGENCY* | *CFDA NUMBER* | *PROGRAM TITLE* | *TYPE A PROGRAMS* | *TOTAL EXPENDITURES* |
|---|---|---|---|---|
| Adjutant General | 12.401 | National Guard Operations and Maintenance | $ 17,945,810 | $ 17,945,810 |
| | | Other Programs | | 1,805,508 |
| | | *Total Adjutant General* | | $ 19,751,318 |
| Administrative Services | Various | Child Nutrition Cluster | 5,451 | $ 5,451 |
| | | Other Programs | | 5,698,725 |
| | | *Total Administrative Services* | | $ 5,704,176 |
| Agriculture | | Other Programs | | $ 720,459 |
| Commission On Disability | | Other Programs | | $ 96,736 |
| Corrections | | Other Programs | | $ 405,614 |
| Cultural Resources | | Other Programs | | $ 2,794,906 |
| Development Disabilities Council | | Other Programs | | $ 479,217 |
| Education | Various | Child Nutrition Cluster | 30,938,008 | |
| | 84.010 | Title I, Part A Cluster | 40,000,813 | |
| | Various | Special Education Cluster | 47,573,207 | |
| | 84.126 | Vocational Rehabilitation Grants | 12,372,678 | |
| | 84.287 | Twenty-First Century Community | 5,619,499 | |
| | 84.367 | Improving Teacher Quality | 10,616,296 | |
| | 96.001 | Social Security - Disability Insurance | 6,193,530 | $ 153,314,031 |
| | | Other Programs | | 32,696,633 |
| | | *Total Education* | | $ 186,010,664 |
| Employment Security | 17.225 | Unemployment Insurance | 121,679,007 | $121,679,007 |
| | | Other Programs | | 5,835,681 |
| | | *Total Employment Security* | | $ 127,514,688 |
| Energy & Planning | 93.568 | Low-Income Energy Assistance | 25,275,364 | $ 25,275,364 |
| | | Other Programs | | 4,168,013 |
| | | *Total Energy & Planning* | | 29,443,377 |
| Environmental Services | 66.458 | Clean Water Revolving Fund | 29,200,463 | |
| | 66.468 | Drinking Water Revolving Fund | 10,074,774 | |
| | 66.605 | Performance Partnership Grants | 5,712,035 | $ 44,987,272 |
| | | Other Programs | | 6,826,099 |
| | | *Total Environmental Services* | | $ 51,813,371 |

## STATE OF NEW HAMPSHIRE

## SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
## BY STATE AGENCY
## FOR THE YEAR ENDED JUNE 30, 2014

| *STATE AGENCY* | *CFDA NUMBER* | *PROGRAM TITLE* | *TYPE A PROGRAMS* | *TOTAL EXPENDITURES* |
|---|---|---|---|---|
| Fish & Game Department | Various | Fish and Wildlife Cluster | 6,915,635 | $ 6,915,635 |
| | | Other Programs | | 2,354,552 |
| | | *Total Fish and Game* | | $ 9,270,187 |
| Health & Human Services | Various | SNAP Cluster | 155,572,763 | |
| | 10.557 | Supplemental Food Program | 9,700,257 | |
| | Various | Aging Cluster | 6,569,393 | |
| | 93.268 | Immunization Cooperative Agreements | 10,268,569 | |
| | 93.558 | TANF | 28,095,771 | |
| | 93.563 | Child Support Enforcement | 12,517,953 | |
| | Various | CCDF Cluster | 20,869,664 | |
| | 93.658 | Foster Care | 15,040,823 | |
| | 93.667 | Social Services Block Grant | 9,321,607 | |
| | 93.767 | Children's Health Insurance Program | 148,779 | |
| | Various | Medicaid Cluster | 733,095,675 | |
| | 93.959 | Substance Abuse Treatment | 5,845,703 | $ 1,007,046,957 |
| | | Other Programs | | 64,438,136 |
| | | *Total Health & Human Services* | | $ 1,071,485,093 |
| Highway Safety | | Other Programs | | $ 3,193,320 |
| Human Rights Commission | | Other Programs | | $ 81,846 |
| Insurance | | Other Programs | | $ 1,576,615 |
| Judicial Branch | | Other Programs | | $ 380,149 |
| Justice | Various | Medicaid Cluster | 517,927 | $ 517,927 |
| | | Other Programs | | 5,899,528 |
| | | *Total Justice* | | $ 6,417,455 |
| Public Utilities Commission | | Other Programs | | $ 643,249 |
| Resources & Economic Development | Various | WIA Cluster | 6,530,245 | |
| | Various | Highway Planning And Construction Cluster | 1,011,766 | $ 7,542,011 |
| | | Other Programs | | 4,107,964 |
| | | *Total Resources & Economic Development* | | $ 11,649,975 |

## STATE OF NEW HAMPSHIRE

## SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
## BY STATE AGENCY
## FOR THE YEAR ENDED JUNE 30, 2014

| *STATE AGENCY* | *CFDA NUMBER* | *PROGRAM TITLE* | *TYPE A PROGRAMS* | *TOTAL EXPENDITURES* |
|---|---|---|---|---|
| Safety | 97.036 | Disaster Grants-Public Assistance | 7,781,226 | $ 7,781,226 |
| | | Other Programs | | 12,923,668 |
| | | *Total Safety* | | $ 20,704,894 |
| Secretary Of State | | Other Programs | | $ 993,511 |
| Transportation | Various | Highway Planning And Construction Cluster | 192,616,781 | $ 192,616,781 |
| | | Other Programs | | 12,618,725 |
| | | *Total Transportation* | | $ 205,235,506 |
| Veterans Home | 64.015 | Veterans State Nursing Home Care | 8,254,665 | $ 8,254,665 |
| | | **TOTAL EXPENDITURES** | **$ 1,593,882,137** | **$ 1,764,620,991** |

**KPMG LLP**
Two Financial Center
60 South Street
Boston, MA 02111

# Independent Auditors' Report

To the Fiscal Committee of the General Court
State of New Hampshire

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Liquor Commission and the Lottery Commission, which represent 5.3% and 72.9% of the assets and revenues of the business-type activities, respectively, and 100% and 98% of the assets and revenues of the respective major funds. We also did not audit the financial statements of the Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, Pease Development Authority and the Community College System of New Hampshire, which represent 14.0% and 15.9% of the assets and revenues of the aggregate discretely presented component units, respectively. Further, we did not audit the New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, which represent 3.1% and 9.5% of the assets and revenues of the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are based solely on the reports of the other auditors. 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 from material misstatement. The financial statements of the New Hampshire Public Deposit Investment Pool and the Business Finance Authority of the State of New Hampshire were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

***Emphasis of Matters***

*Adoption of New Accounting Pronouncement*

As discussed in Note 17 to the financial statements, in 2014, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, budget to actual schedules, and information about the State's other postemployment benefits and Judicial Retirement Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

KPMG LLP

December 31, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

## FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

The following is a discussion and analysis of the financial activities of the State of New Hampshire (the State) for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal, which can be found at the front of this report, and with the State's financial statements which follow this section.

**Government-Wide Highlights**

**Net Position:** The total assets and deferred outflows of resources of the State exceeded total liabilities at fiscal year ending June 30, 2014 by $2.8 billion. This amount is presented as "Total Net Position" on the Statement of Net Position for the Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, $756.3 million is reported as a deficit in unrestricted net position, representing a deficiency of unrestricted, non-capital assets, to liabilities other than capital debt.

**Changes in Net Position:** The State's total net position increased by $24.3 million, or .9% in fiscal year 2014. The net position of governmental activities decreased by $80.5 million (5.7%), and net position of the business-type activities showed an increase of $104.8 million (7.9%). Expenses for the period were $193.8 million or 3.3% higher than fiscal year 2013 and total revenues were approximately $51.2 million or .9% higher than fiscal year 2013.

**Non-Current Liabilities:** The State's total non-current liabilities increased by $42.5 million or 1.7% during the current fiscal year. Reported non-current bonded debt decreased $53.5 million or 3.5% as payments exceeded new issuances of outstanding debt. Also, an additional $92.7 million long-term liability was recorded for other postemployment health benefits in accordance with governmental accounting standards.

**Fund Highlights:**

**Governmental funds -** Fund Balances: As of the close of fiscal year 2014, the State's governmental funds reported a combined balance of all funds of $543.9 million, a decrease of $64.1 million from the prior year. This year, the General Fund ended the year with an Unassigned Fund Balance of $31.2 million (including Revenue Stabilization balance of $9.3 million).

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements include three components:

1. Government-Wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The Government-Wide Financial Statements provide a broad view of the State's finances. These statements (Statement of Net Position and the Statement of Activities) provide both short-term and long-term information about the State's overall financial position. They are prepared using the economic resources measurement focus and accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

The **Statement of Net Position**, beginning on page 28 presents all of the State's non-fiduciary assets and liabilities as well as any deferred outflows of resources or deferred inflows of resources. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as "net position" instead of fund balance as shown on the Fund Statements. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The **Statement of Activities**, beginning on page 30, presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and licenses and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the Government-Wide Financial Statements have separate sections for three different types of state activities. These three types of activities are:

**Governmental Activities:** The activities in this section represent most of the State's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the State include general government, administration of justice and public protection, resource protection and development, transportation, health and social services, and education.

**Business-Type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the:

- Liquor Commission,
- Lottery Commission (includes Racing & Charitable Gaming Commission),
- Turnpike System,
- State Revolving Loan Fund (SRF), and
- New Hampshire Unemployment Compensation Trust Fund

**Discretely Presented Component Units:** Component Units are entities that are legally separate from the State, but for which the State is financially accountable. The state's discretely presented component units are presented in the aggregate in these Government-Wide Statements and include the:

- University System of New Hampshire (USNH),
- Business Finance Authority,
- Community Development Finance Authority,
- Pease Development Authority, and
- Community College System of New Hampshire

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the notes to the basic financial statements.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements, focus on the individual parts of the State government, and report the State's operations in more detail than the government-wide statements. The State's funds are divided into three categories – governmental, proprietary and fiduciary. For governmental and proprietary funds, only those funds that are considered Major Funds are reported in individual columns in the Fund Financial Statements with the Non-Major Funds reported in the aggregate. Fiduciary funds are reported by fiduciary type (pension, private-purpose, investment trust, and agency).

**Governmental Funds:** Most of the basic services provided by the State are financed through governmental funds. Unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements report using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The Governmental Fund Financial Statements can be found on pages 33 through 36.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented here with similar information presented in the Government-Wide Financial Statements. Reconciliations are provided between the Governmental Fund Financial Statements and the Government-Wide Financial Statements, which can be found on pages 34 and 36.

The State's major governmental funds include the General Fund, Highway Fund, and Education Fund.

Individual fund data for each of the State's non-major governmental funds (Fish and Game Fund, Capital Fund and Permanent Funds) are provided in the combining statements found on pages 94 and 95.

**Proprietary Funds:** The State's proprietary funds charge a user fee for the goods and services they provide to both the general public and other agencies within the State. These activities are reported in five enterprise funds and one internal service fund. The enterprise funds, which are all considered major funds, report activities that provide goods and services to the general public and include the operations of the Liquor Commission, Lottery Commission, Turnpike System, SRF Fund and the New Hampshire Unemployment Trust Fund. The Internal Service Fund reports health related fringe benefit services for the State's programs and activities.

Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the economic resources measurement focus and accrual basis of accounting. Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. The Internal Service Fund is reported within governmental activities on the Government-Wide Financial Statements. The basic proprietary funds financial statements can be found on pages 38 through 41.

**Fiduciary Funds and Similar Component Units:** These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the economic resources measurement focus and accrual basis of accounting.

The State's fiduciary funds on pages 43-44 include the:

- **Pension Trust Fund** which accounts for the activity of the State's New Hampshire Retirement System and the Judicial Retirement Plan - which are component units of the State,
- **Investment Trust Fund** which accounts for the activity of the external investment pool known as PDIP,
- **Private-Purpose Trust Funds** which account for the activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments, and
- **Agency Funds** which account for the resources held in a pure custodial capacity.

**Major Component Unit**

The State has only one major discretely presented component unit - the University System of New Hampshire and four non-major discretely presented component units. This separation is determined by the relative size of the individual entities' assets, liabilities, revenues and expenses in relation to the combined total of all component units. The combining financial statements for the component units can be found on pages 46 and 47.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 49.

**Required Supplementary Information**

In addition to this Management's Discussion and Analysis the basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the State's major governmental funds, and includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. In addition, schedules of funding progress are presented for the state's Other Postemployment Benefit Plan and the Judicial Retirement Plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled $2.8 billion at the end of 2014 which was slightly higher (.9%) than fiscal year 2013.

Investment in Capital Assets: The largest portion of the State's net position (89.8%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges); less any related outstanding debt used to acquire those assets. The State's investment in capital assets increased $22.4 million from prior year. This increase was the result of a net increase in capital assets of $71.9 million during the year, which partially utilized prior year bond proceeds, combined with an increase in capital related debt of $49.5 million. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

Restricted Net Assets: Another portion of the State's net position ($1,038.3 million or 37.6%) represents resources that are subject to external restrictions on how they may be used. State-imposed designations of resources, unless resulting from enabling legislation, are not presented as restricted net assets. Restricted net assets increased $75.2 million from prior year due largely to increases in assets restricted for Unemployment Benefits and for Environmental Loans within the State Revolving Fund.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $756.3 million which is up $73.3 million from the deficit of $683.0 million (restated) from the previous year. A significant component of the deficit is attributable to net other postemployment benefit obligation, which at June 30, 2014 was $858.4 million.

**Changes in Net Position**

The State's total net position increased by $24.3 million, or .9%, during the current fiscal year. Total revenues were $6,056.3 million, an increase of $51.2 million (.9%) as compared to the prior year, and total reported expenses were $6,032.0 million, an increase of $193.8 million (3.3%) as compared to the prior year.

**Comparative Net Position as of June 30, 2014 and 2013**
(In Thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current assets | $1,174,835 | $1,093,563 | $777,158 | $741,803 | $1,951,993 | $1,835,366 |
| Capital assets | 2,752,656 | 2,720,450 | 914,386 | 874,712 | 3,667,042 | 3,595,162 |
| Other assets | 74,271 | 128,841 | 316,241 | 294,516 | 390,512 | 423,357 |
| **Total assets** | 4,001,762 | $3,942,854 | 2,007,785 | 1,911,031 | 6,009,547 | $5,853,885 |
| **Total deferred outflows of resources** | 10,540 | 11,752 | 3,009 | 3,742 | 13,549 | 15,494 |
| Noncurrent liabilities | 2,037,301 | 1,983,834 | 438,287 | 449,241 | 2,475,588 | 2,433,075 |
| Current liabilities | 643,356 | 558,647 | 146,369 | 144,216 | 789,725 | 702,863 |
| **Total liabilities** | 2,680,657 | 2,542,481 | 584,656 | 593,457 | 3,265,313 | 3,135,938 |
| Net Position: | | | | | | |
| Net Investment in capital assets | 2,013,107 | 2,022,477 | 462,660 | 430,843 | 2,475,767 | 2,453,320 |
| Restricted | 108,658 | 106,027 | 929,609 | 857,061 | 1,038,267 | 963,088 |
| Unrestricted | (790,120) | (716,379) | 33,869 | 33,412 | (756,251) | (682,967) |
| **Total net position** | $1,331,645 | $1,412,125 | $1,426,138 | $1,321,316 | $2,757,783 | $2,733,441 |

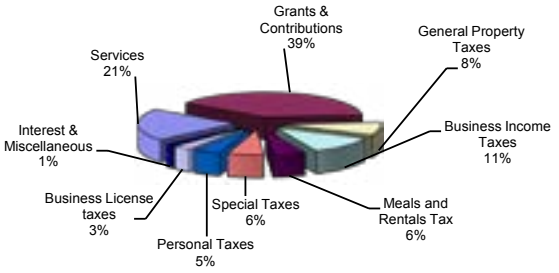
The financial statements for the fiscal year ending June 30, 2013 have been restated to reflect the implementation of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

**Comparative Changes in Net Position**

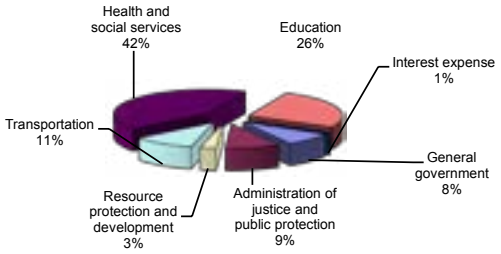
**For Fiscal Years Ending June 30, 2014 and 2013**
(In Thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $1,019,353 | $956,630 | $1,204,640 | $1,249,912 | $2,223,993 | $2,206,542 |
| Operating grants & contributions | 1,641,790 | 1,602,922 | 36,876 | 25,031 | 1,678,666 | 1,627,953 |
| Capital grants & contributions | 218,351 | 183,676 | 3,108 | 5,446 | 221,459 | 189,122 |
| General revenues: | | | | | | |
| General Property Taxes | 398,419 | 400,563 | | | 398,419 | 400,563 |
| Business Income Taxes | 546,829 | 538,365 | | | 546,829 | 538,365 |
| Meals and Rentals Tax | 263,050 | 248,574 | | | 263,050 | 248,574 |
| Special taxes | 290,020 | 359,967 | | | 290,020 | 359,967 |
| Personal taxes | 219,903 | 205,849 | | | 219,903 | 205,849 |
| Business License taxes | 145,658 | 144,023 | | | 145,658 | 144,023 |
| Interest | 16,343 | 13,167 | | | 16,343 | 13,167 |
| Miscellaneous | 52,005 | 71,028 | | | 52,005 | 71,028 |
| Total revenues | 4,811,721 | 4,724,764 | 1,244,624 | 1,280,389 | 6,056,345 | 6,005,153 |
| **Expenses** | | | | | | |
| General government | 425,806 | 428,738 | | | 425,806 | 428,738 |
| Administration of justice and public protection | 480,720 | 528,734 | | | 480,720 | 528,734 |
| Resource protection and development | 140,316 | 156,148 | | | 140,316 | 156,148 |
| Transportation | 541,058 | 410,758 | | | 541,058 | 410,758 |
| Health and social services | 2,153,341 | 2,009,403 | | | 2,153,341 | 2,009,403 |
| Education | 1,335,566 | 1,329,015 | | | 1,335,566 | 1,329,015 |
| Interest Expense | 31,548 | 27,666 | | | 31,548 | 27,666 |
| Turnpike System | | | 90,243 | 88,119 | 90,243 | 88,119 |
| Liquor Commission | | | 482,158 | 463,843 | 482,158 | 463,843 |
| Lottery Commission | | | 205,052 | 207,509 | 205,052 | 207,509 |
| SRF Fund | | | 21,541 | 19,950 | 21,541 | 19,950 |
| Unemployment Compensation | | | 124,654 | 168,280 | 124,654 | 168,280 |
| Total expenses | 5,108,355 | 4,890,462 | 923,648 | 947,701 | 6,032,003 | 5,838,163 |
| Increase (decrease) in net position before transfers and other items | (296,634) | (165,698) | 320,976 | 332,688 | 24,342 | 166,990 |
| Special Item - Environmental Litigation Settlements | | 90,700 | | | | 90,700 |
| Transfers & Other Items | 216,154 | 213,283 | (216,154) | (213,283) | | |
| Increase (Decrease) in net position | (80,480) | 138,285 | 104,822 | 119,405 | 24,342 | 257,690 |
| Net position, beginning of year (restated) | 1,412,125 | 1,273,840 | 1,321,316 | 1,201,911 | 2,733,441 | 2,475,751 |
| Net position, end of year | $1,331,645 | $1,412,125 | $1,426,138 | $1,321,316 | $2,757,783 | $2,733,441 |

**Governmental Activities - Revenues**
**Fiscal Year Ending June 30, 2014**




**Governmental Activities - Expenses**
**Fiscal Year Ending June 30, 2014**



More than half of the State's revenue (68%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 36% and 22% of total expenses, respectively.

**Governmental Activities**

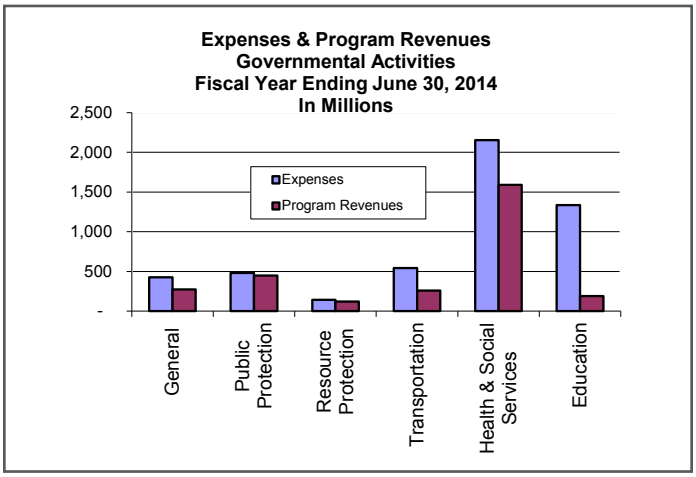
Governmental activities decreased the State's net position by $296.6 million, before transfers and other items. Revenues increased by $86.9 million or 1.7% from the prior year to total $4.8 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased $136.3 million or 5.0%, while taxes and other revenues decreased $49.4 million or 2.5%. Reported expenses increased $217.9 million or 4.5%.

A comparison of the cost of services by function for the State's governmental activities with the related program revenues is shown in the chart below. The largest expenses for the State, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these significant program costs are not fully recovered from program revenues, these programs are supplemented from general revenues, which primarily consist of taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rentals, and interest and dividends tax.

**Business-Type Activities**

Charges for goods and services for the State's combined business type activities were more than adequate to cover the operating expenses and resulted in an increase in net position of $321.0 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, SRF Fund, Unemployment Compensation Fund, and Turnpike Fund.

Operations of the Liquor Commission generated net income before transfers of $148.7 million, an increase from the prior year of approximately 6.4%, which was transferred to the General Fund to fund the general operations of the State. The Lottery Commission net income before transfers of $75.5 million was a decrease of $2.2 million (2.8%) as compared to the prior year.




Additionally, the Turnpike System's net position increased by $35.2 million. The operations of the Unemployment Compensation fund yielded an increase in net assets of $35.4 million. The State Revolving Fund net position increased $34.0 after transfers.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Total Governmental Fund Balances decreased $64.1 million in fiscal year 2014. A deficiency of revenues over expenditures of $370.4 million was funded by $303.8 million of net transfers from Enterprise Funds and Other Financing Sources, resulting in a net decrease in Governmental Fund Balance.

**General Fund**

The general fund is the primary operating fund of the State. The total fund equity at June 30, 2014 is $297.4 million. The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of $9.3 million and other fund balance of $21.9 million ended the year at $31.2 million, a decrease of $50.3 million from the prior year.

**Analysis of Changes in Revenues and Expenses**
**For Fiscal Year Ending June 30, 2014 Compared to 2013**
**($ In Millions)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | $Change | % Change | $Change | % Change | $Change | % Change |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 62.7 | 6.6% | (45.3) | -3.6% | 17.4 | 0.8% |
| Operating grants & contributions | 38.9 | 2.4% | 11.9 | 47.6% | 50.8 | 3.1% |
| Capital grants & contributions | 34.7 | 18.9% | (2.3) | 100.0% | 32.4 | 17.1% |
| General revenues: | | | | | | |
| General Property Taxes | (2.2) | -0.5% | | | (2.2) | -0.5% |
| Business Income taxes | 8.4 | 1.6% | | | 8.4 | 1.6% |
| Meals and Rental Taxes | 14.5 | 5.8% | | | 14.5 | 5.8% |
| Special taxes | (70.0) | -19.4% | | | (70.0) | -19.4% |
| Personal taxes | 14.1 | 6.9% | | | 14.1 | 6.9% |
| Business License taxes | 1.7 | 1.2% | | | 1.7 | 1.2% |
| Interest | 3.1 | 23.5% | | | 3.1 | 23.5% |
| Miscellaneous | (19.0) | -26.8% | | | (19.0) | -26.8% |
| Total revenues | 86.9 | 1.7% | (35.7) | -2.8% | 51.2 | 0.9% |
| Expenses | | | | | | |
| General government | (2.9) | -0.7% | | | (2.9) | -0.7% |
| Administration of justice and public protection | (48.0) | -9.1% | | | (48.0) | -9.1% |
| Resource protection and development | (15.9) | -10.2% | | | (15.9) | -10.2% |
| Transportation | 130.3 | 31.7% | | | 130.3 | 31.7% |
| Health and social services | 144.0 | 7.2% | | | 144.0 | 7.2% |
| Education | 6.6 | 0.5% | | | 6.6 | 0.5% |
| Interest Expense | 3.8 | 13.7% | | | 3.8 | 13.7% |
| Turnpike System | | | 2.1 | 0.1% | 2.1 | 2.4% |
| Liquor Commission | | | 18.4 | 4.0% | 18.4 | 4.0% |
| Lottery Commission | | | (2.5) | -1.2% | (2.5) | -1.2% |
| SRF Fund | | | 1.5 | 7.5% | 1.5 | 7.5% |
| Unemployment Compensation | | | (43.6) | -25.9% | (43.6) | -25.9% |
| Total expenses | 217.9 | 4.5% | (24.1) | -2.5% | 193.8 | 3.3% |

Revenues in the general fund were $3,384.6 million, $56.8 million (1.7%) higher than the prior year, the increase largely the result of increases in Federal Grants received during fiscal year 2014. Expenditures increased by $151.2 million (4.6%) to $3,465.7 million which was primarily the result of the increase in Health and Social Services expenditures.

**Education Fund**

The education fund, before year-end transfers from other funds, had a deficit balance of $172.4 million. Approximately $75.4 million was transferred from the Enterprise funds and the general fund made a transfer from unassigned fund balance for the remaining $102.0 million to bring the education assigned fund balance to $5.1 million at June 30, 2014. The remaining fund balance within the Education Fund primarily represents the remaining fiscal year 2014 appropriations available for Charter Schools.

**Highway Fund**

The highway fund ended the year with a restricted fund balance of $163.8 million. As the highway fund revenues include revenues primarily restricted by the Constitution or the Federal Government, the remaining spendable fund balance as of June 30, 2014 has been classified as restricted. This is a decrease of approximately $43.1 million from the fiscal year 2013 spendable fund balance of $206.9 million.

**Proprietary Funds**

The State's proprietary fund statements provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements.

BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budget to Actual Schedules for the major governmental funds are in the Required Supplementary Information section beginning on page 82.

**General Fund:**

The net increase from the original budget of $4,086.0 million to the final budget of $4,263.8 million is $177.8 million and represents additional appropriations issued and budget reductions recorded (HB2), after July 1, 2013 primarily in the following categories of government: Health & Social Services ($55 million), Justice & Public Protection ($74 million) and Resource Protection and Development ($34 million).

Actual total revenue was less than the final budget by approximately $997.2 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $549.5 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately $885.5 million lower than the final budget primarily within the Department of Health & Human Services, the Department of Safety, the Department of Education, and the Department of Environmental Services.

CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to $6.7 billion, with accumulated depreciation amounts of $3.0 billion, leaving a net book value of $3.7 billion, an increase of approximately $0.1 billion from prior year. The investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure assets are items that are normally immovable, of value only to the State, and include only roads and bridges. The net book value of the State's infrastructure for its roads and bridges approximates $2.1 billion, representing a $0.1 billion increase from the prior year.

Additional information on the state's capital assets can be found in Footnote 4 of the Notes to the Basic Financial Statements.

**Debt Administration**

The State may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The State may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the State had total bonded debt outstanding of $1,621.3 million. Of this amount, $1,014.9 million are general obligation bonds, which are backed by the full faith and credit of the State and $179.7 million are Federal Highway Grant Anticipation Bonds (GARVEE). The remainder of the State's bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On August 15, 2013, the State issued a $5.2 million general obligation capital improvement bond. The bond was sold via private placement to the New Hampshire Municipal Bond Bank. The proceeds are being used to finance various capital projects of the State.

On December 5, 2013, the State issued two series of general obligation capital improvement bonds through back-to-back competitive sales. The State sold $59.1 million of federally tax-exempt bonds (2013 Series B) as well as $19.0 million of federally taxable bonds (2013 Series C). Proceeds from the Series B issue will be used for the sole purpose of financing various capital projects of the State. Proceeds from the Series C issue will finance state match funding for State Revolving Loan programs as authorized in New Hampshire Laws of 2011, Chapter 253:1,VI, A and B. The Series B bonds mature over twenty years, carry coupons ranging from 4% to 5%, and sold with an overall total interest cost of the State of 3.10%. The Series C bonds mature over ten years, carry coupons ranging from .7% to 3.4%, and sold with an overall total interest cost to the State of 2.29%.

The State does not have any debt limitations, except for contingent debt guarantees, which are detailed in the notes to the financial statements. Additional information on the State's long-term debt obligations can be found in Footnote 5 of the Notes to the Basic Financial Statements.

Fitch Ratings has assigned the State's bond rating of AA+, Moody's Investors Service of Aa1, and Standard & Poor's of AA.

## ECONOMIC CONDITIONS AND OUTLOOK

Along with the nation and the region, the State's economy is emerging from recession with some challenges ahead. Due to a favorable tax climate for individuals coupled with a high quality of life and standard of living, New Hampshire is considered a very attractive state to live in. As a result, New Hampshire has fared better in this recession than many other states in the region and the nation. The State's preliminary November 2014 unemployment rate of 4.1 % (seasonally adjusted) continues to be below the national average of 5.8%.

*Fiscal Year 2015* Revenue Performance for the four months ended November 30, 2014

Unrestricted revenue for the General and Education Trust Funds received for fiscal year 2015 (cash basis) totaled $615.7 million, which was above plan by $4.9 million, or 0.8%, but below the prior year by $1.5 million, or 0.2%.

Some of the stronger revenue categories contributing to these favorable results include the following:

• Meals and Rooms Tax - $5.1 million (3.9%) above plan and $7.6 million (5.9%) above prior year.
• Tobacco Tax - $2.9 million (3.1%) above plan, however, $7.9 million (7.6%) below prior year. The variance versus the prior year is primarily due to the high volume of tobacco tax stamps sold in July 2013 in advance of the August 1, 2013 tax rate increase from $1.68 to $1.78 per stamp (pack).
• Real Estate Transfer Tax - $4.4 million (8.7%) above plan and $5.2 million (10.5%) above prior year.

Some of the unfavorable revenue categories significantly offsetting the above favorable results include the following:
• Business Taxes were $11.1 million (7.2%) below plan and $10.5 million (6.8%) below prior year.
• The Interest & Dividends Tax was $5.9 million (25.8%) below plan and $1.5 million (8.1%) below prior year.

The Other net revenues are above Plan and prior year; however, a significant portion of this net increase is primarily deemed to be related to the timing of the receipt of the revenue rather than an increase in revenue for the year.

On an annual basis, the fiscal year 2015 General and Education Funds revenue Plan of $2,219.8 million is approximately $46.6 million higher (2.1%) than the actual revenue realized in fiscal year 2014 ($2,173.2 million).

Going forward, the State will continue to monitor revenue collections closely. The state will continue to manage spending and institute budget reductions and program savings initiatives as needed.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State's finances for all of New Hampshire citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of New Hampshire, Department of Administrative Services, Division of Accounting Services, 25 Capitol Street, State House Annex Room 310, Concord, NH 03301.


SEAL · OF · THE · STATE · OF · NEW HAMPSHIRE ·
1776

# Basic Financial Statements

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF NET POSITION**
**JUNE 30, 2014**
**(Expressed in Thousands)**

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| **ASSETS** | | | | |
| **Current Assets:** | | | | |
| Cash and Cash Equivalents | $439,756 | $68,637 | $508,393 | $105,499 |
| Cash and Cash Equivalents-Restricted | 131,972 | 545,329 | 677,301 | 16,360 |
| Investments | | | | 154,291 |
| Investments - Restricted | | 32,990 | 32,990 | |
| Receivables (Net of Allowances for Uncollectibles) | 563,251 | 17,502 | 580,753 | 48,503 |
| Other Receivables-Restricted | 70 | 69,690 | 69,760 | |
| Internal Balances Receivable (Payable) | 6,344 | (6,344) | | |
| Internal Notes Receivable (Payable) | 13,765 | (13,765) | | |
| Inventories | 19,677 | 56,625 | 76,302 | |
| Other Current Assets | | 33 | 33 | 10,260 |
| Other Current Assets-Restricted | | 6,461 | 6,461 | |
| Total Current Assets | 1,174,835 | 777,158 | 1,951,993 | 334,913 |
| **Noncurrent Assets:** | | | | |
| Receivables (Net of Allowances for Uncollectibles) | 7,044 | | 7,044 | 55,638 |
| Other Receivables-Restricted | 4,926 | 312,425 | 317,351 | |
| Internal Notes Receivable (Payable) | 414 | (414) | | |
| Investments | 16,429 | | 16,429 | 685,925 |
| Investments-Restricted | 45,458 | | 45,458 | |
| Other Assets | | | | 11,046 |
| Other Assets-Restricted | | 4,230 | 4,230 | |
| Capital Assets: | | | | |
| Land & Land Improvements | 644,841 | 117,483 | 762,324 | 27,247 |
| Buildings & Building Improvements | 788,410 | 33,333 | 821,743 | 1,837,335 |
| Equipment & Computer Software | 350,408 | 54,636 | 405,044 | 141,587 |
| Construction in Progress | 201,794 | 168,522 | 370,316 | 54,126 |
| Infrastructure | 3,438,817 | 890,738 | 4,329,555 | |
| Less: Allowance for Depreciation | (2,671,614) | (350,326) | (3,021,940) | (886,118) |
| Net Capital Assets | 2,752,656 | 914,386 | 3,667,042 | 1,174,177 |
| Total Noncurrent Assets | 2,826,927 | 1,230,627 | 4,057,554 | 1,926,786 |
| Total Assets | 4,001,762 | 2,007,785 | 6,009,547 | 2,261,699 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 10,540 | 3,009 | 13,549 | 35,401 |

The notes to the basic financial statements are an integral part of this statement.

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF NET POSITION**
**JUNE 30, 2014**
**(Expressed in Thousands)**

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| **LIABILITIES** | | | | |
| **Current Liabilities:** | | | | |
| Accounts Payable | $359,152 | $74,126 | $433,278 | $60,532 |
| Accrued Payroll | 24,897 | 2,479 | 27,376 | 5,701 |
| Unearned Revenue | 69,100 | 13,801 | 82,901 | 37,777 |
| Unclaimed Property & Prizes | 16,083 | 4,272 | 20,355 | |
| General Obligation Bonds Payable | 92,541 | 3,030 | 95,571 | |
| Federal Highway Grant Anticipation Bond Payable | 11,290 | | 11,290 | |
| Claims & Compensated Absences Payable | 47,784 | 1,952 | 49,736 | 8,714 |
| Other Liabilities | 22,509 | 23,834 | 46,343 | 13,211 |
| Revenue Bonds Payable | | 22,875 | 22,875 | 52,757 |
| Total Current Liabilities | 643,356 | 146,369 | 789,725 | 178,692 |
| **Noncurrent Liabilities:** | | | | |
| General Obligation Bonds Payable, Net | 894,115 | 25,246 | 919,361 | |
| Federal Highway Grant Anticipation Bond Payable | 168,454 | | 168,454 | |
| Revenue Bonds Payable, Net | | 403,781 | 403,781 | $380,323 |
| Claims & Compensated Absences Payable | 77,742 | 6,024 | 83,766 | 34,969 |
| Postemployment Benefits Payable | 858,369 | | 858,369 | 46,590 |
| Derivative Instruments - Interest Rate Swaps | | | | 29,828 |
| Other Noncurrent Liabilities | 38,621 | 3,236 | 41,857 | 77,061 |
| Total Noncurrent Liabilities | 2,037,301 | 438,287 | 2,475,588 | 568,771 |
| Total Liabilities | 2,680,657 | 584,656 | 3,265,313 | 747,463 |
| **NET POSITION** | | | | |
| Net Investment in Capital Assets | 2,013,107 | 462,660 | 2,475,767 | 740,315 |
| Restricted for Debt Repayments | | 55,735 | 55,735 | |
| Restricted for Uninsured Risks | | 3,001 | 3,001 | |
| Restricted for Unemployment Benefits | | 284,603 | 284,603 | |
| Restricted for Permanent Funds-Expendable | 10,558 | | 10,558 | |
| Restricted for Permanent Funds-Non-Expendable | 11,358 | | 11,358 | |
| Restricted for Prize Awards - MUSL & Tri-State | | 4,230 | 4,230 | |
| Restricted for Environmental Remediation | 81,746 | | 81,746 | |
| Restricted for Environmental Loans | 4,996 | 582,040 | 587,036 | |
| Restricted Component Unit Net Position | | | | 444,600 |
| Unrestricted Net Position | (790,120) | 33,869 | (756,251) | 364,722 |
| Total Net Position | $1,331,645 | $1,426,138 | $2,757,783 | $1,549,637 |

The notes to the basic financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF ACTIVITIES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | | Program Revenues | | |
|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **PRIMARY GOVERNMENT** | | | | |
| **Governmental Activities:** | | | | |
| General Government | $425,806 | $233,697 | $40,124 | |
| Administration of Justice & Public Protection | 480,720 | 366,654 | 80,192 | |
| Resource Protection and Development | 140,316 | 80,317 | 39,613 | |
| Transportation | 541,058 | 31,682 | 9,752 | $218,351 |
| Health and Social Services | 2,153,341 | 301,986 | 1,288,318 | |
| Education | 1,335,566 | 5,017 | 183,791 | |
| Interest Expense | 31,548 | | | |
| Total Governmental Activities | 5,108,355 | 1,019,353 | 1,641,790 | 218,351 |
| **Business-type Activities:** | | | | |
| Turnpike System | 90,243 | 122,384 | | 3,108 |
| Liquor Commission | 482,158 | 630,812 | | |
| Lottery Commission | 205,052 | 280,561 | | |
| SRF Fund | 21,541 | 10,788 | 36,876 | |
| Unemployment Compensation | 124,654 | 160,095 | | |
| Total Business-type Activities | 923,648 | 1,204,640 | 36,876 | 3,108 |
| Total Primary Government | $6,032,003 | $2,223,993 | $1,678,666 | $221,459 |
| **COMPONENT UNITS** | | | | |
| University System of New Hampshire | $774,169 | $551,201 | $163,699 | $3,791 |
| Non-Major Component Units | 167,012 | 105,381 | 14,081 | 2,772 |
| Total Component Units | $941,181 | $656,582 | $177,780 | $6,563 |

**General Revenues:**
- General Property Taxes
- Business Income Taxes
- Meals and Rental Taxes
- Special Taxes
- Personal Taxes
- Business License Taxes
- Interest & Investment Income
- Miscellaneous

Payments from State of New Hampshire
Transfer of Capital Assets
Transfers - Internal Activities
Total General Revenues and Transfers
Changes in Net Position
**Net Position - July 1 - Restated (note 17)**
**Net Position - June 30**

The notes to the basic financial statements are an integral part of this statement

## Net (Expenses) Revenues and Changes in Net Position

| Primary Government | | | |
|---|---|---|---|
| Governmental Activities | Business-Type Activities | Total | Component Units |
| $(151,985) | | $(151,985) | |
| (33,874) | | (33,874) | |
| (20,386) | | (20,386) | |
| (281,273) | | (281,273) | |
| (563,037) | | (563,037) | |
| (1,146,758) | | (1,146,758) | |
| (31,548) | | (31,548) | |
| (2,228,861) | | (2,228,861) | |
| | 35,249 | 35,249 | |
| | 148,654 | 148,654 | |
| | 75,509 | 75,509 | |
| | 26,123 | 26,123 | |
| | 35,441 | 35,441 | |
| | 320,976 | 320,976 | |
| $(2,228,861) | $320,976 | $(1,907,885) | |
| | | | $(55,478) |
| | | | (44,778) |
| | | | $(100,256) |
| 398,419 | | 398,419 | |
| 546,829 | | 546,829 | |
| 263,050 | | 263,050 | |
| 290,020 | | 290,020 | |
| 219,903 | | 219,903 | |
| 145,658 | | 145,658 | |
| 16,343 | | 16,343 | 111,524 |
| 52,005 | | 52,005 | |
| | | | 122,020 |
| (653) | 653 | | |
| 216,807 | (216,807) | | |
| 2,148,381 | (216,154) | 1,932,227 | 233,544 |
| (80,480) | 104,822 | 24,342 | 133,288 |
| 1,412,125 | 1,321,316 | 2,733,441 | 1,416,349 |
| $1,331,645 | $1,426,138 | $2,757,783 | $1,549,637 |

The notes to the basic financial statements are an integral part of this statement

# Fund Financial Statements
## Governmental Funds

***General Fund:*** *The General Fund is the State's primary operating fund and accounts for all financial transactions not accounted for in any other fund.*

***Highway Fund:*** *Under the state Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the State from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid and American Recovery and Reinvestment Act funds received by the State for highway purposes, are credited to the Highway Fund. While the principal and interest on state highway bonds are charged to the Highway Fund, the assets of this fund are not pledged to such bonds.*

***Education Trust Fund:*** *The Education Trust Fund was established to distribute adequate education grants to school districts. Funding for the grants comes from a variety of sources, including the statewide property and utility taxes, incremental portions of existing business and tobacco taxes, lottery funds, and tobacco settlement funds.*

**STATE OF NEW HAMPSHIRE**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2014**
**(Expressed in Thousands)**

| | General | Highway | Education | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $330,514 | $144,696 | | $44,312 | $519,522 |
| Investments | 16,429 | 24,114 | | 21,344 | 61,887 |
| Receivables (Net of Allowances for Uncollectibles) | 438,066 | 46,384 | $68,786 | 6,269 | 559,505 |
| Inter-Fund Note Receivable | | 14,179 | | | 14,179 |
| Due from Other Funds | 13,973 | 1,193 | | 4,326 | 19,492 |
| Inventories | 4,712 | 14,352 | | 613 | 19,677 |
| Loan Receivables | 12,040 | | | | 12,040 |
| Total Assets | $815,734 | $244,918 | $68,786 | $76,864 | $1,206,302 |
| **LIABILITIES** | | | | | |
| Accounts Payable | $301,935 | $40,741 | $1,199 | $13,181 | $357,056 |
| Accrued Payroll | 19,556 | 4,871 | | 470 | 24,897 |
| Due to Other Funds | 2,820 | 610 | 9,718 | | 13,148 |
| Unearned Revenue | 66,122 | 2,978 | | | 69,100 |
| Unclaimed Property | 16,083 | | | | 16,083 |
| Other Liabilities | 698 | | | | 698 |
| Total Liabilities | 407,214 | 49,200 | 10,917 | 13,651 | 480,982 |
| **DEFERRED INFLOWS OF RESOURCES** | 111,099 | 17,551 | 52,800 | | 181,450 |
| **FUND BALANCES** | | | | | |
| Nonspendable: | | | | | |
| Inventories | 4,712 | 14,352 | | 613 | 19,677 |
| Permanent Fund Principal | | | | 11,358 | 11,358 |
| Restricted | 109,417 | 163,815 | | 48,703 | 321,935 |
| Committed | 116,325 | | | 1,304 | 117,629 |
| Assigned | 35,765 | | 5,069 | 1,235 | 42,069 |
| Unassigned: | | | | | |
| Revenue Stabilization | 9,312 | | | | 9,312 |
| Other | 21,890 | | | | 21,890 |
| Total Fund Balances | 297,421 | 178,167 | 5,069 | 63,213 | 543,870 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $815,734 | $244,918 | $68,786 | $76,864 | $1,206,302 |

The notes to the basic financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**RECONCILIATION OF THE BALANCE SHEET-**
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2014**
**(Expressed in Thousands)**

| | | |
|---|---|---|
| Total fund balances for governmental funds | | $543,870 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | | 2,752,656 |
| Revenues and loans that will be collected after year-end, and are not available to pay for the current period's expenditures are reported as inflows of resources in the funds. | | 181,450 |
| Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. | | 34,179 |
| Deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds. | | 10,540 |
| Certain liabilities are not payable by current available resources and therefore are not reported in the funds: | | |
| Compensated Absences, Workers Compensation | (105,850) | |
| Other Postemployment Benefits | (858,369) | |
| Pollution Remediation Obligation | (38,015) | |
| Capital Lease Obligations | (1,944) | |
| Bond Payables | (1,166,400) | |
| Litigation Payable | (4,212) | |
| Advance Construction Commitments to Municipalities | (2,312) | |
| Interest Payable | (13,948) | (2,191,050) |
| Net Position of Governmental Activities | | $1,331,645 |

The notes to the basic financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | General | Highway | Education | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| General Property Taxes | $149 | | $399,370 | | $399,519 |
| Special Taxes | 855,078 | | 246,310 | | 1,101,388 |
| Personal Taxes | 130,150 | | 89,753 | | 219,903 |
| Business License Taxes | 21,182 | $145,658 | | | 166,840 |
| Non-Business License Taxes | 94,895 | 83,692 | | $9,055 | 187,642 |
| Fees | 155,711 | 24,221 | | 6,241 | 186,173 |
| Fines, Penalties and Interest | | 7,788 | 1 | 142 | 7,931 |
| Grants from Federal Government | 1,476,977 | 198,157 | | 25,983 | 1,701,117 |
| Grants from Private and Local Sources | 160,435 | 12,396 | | 371 | 173,202 |
| Rents and Leases | 15 | 141 | | | 156 |
| Interest, Premiums and Discounts | 17,391 | | | 392 | 17,783 |
| Sale of Commodities | 12,344 | 11,755 | | 293 | 24,392 |
| Sale of Service | 20,419 | 4,744 | | | 25,163 |
| Assessments | 71,492 | | | | 71,492 |
| Grants from Other Agencies | 51,844 | 11,971 | | 5,163 | 68,978 |
| Miscellaneous | 316,491 | 7,195 | 40,000 | 4,168 | 367,854 |
| Total Revenues | 3,384,573 | 507,718 | 775,434 | 51,808 | 4,719,533 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General Government | 328,895 | | | | 328,895 |
| Administration of Justice and Public Protection | 380,259 | 80,278 | | 307 | 460,844 |
| Resource Protection and Development | 107,401 | 1,346 | | 25,054 | 133,801 |
| Transportation | 11,877 | 298,874 | | | 310,751 |
| Health and Social Services | 2,133,781 | | | 140 | 2,133,921 |
| Education | 383,252 | | 947,820 | | 1,331,072 |
| Debt Service | 104,325 | 32,782 | | 444 | 137,551 |
| Capital Outlay | 15,872 | 149,408 | | 87,807 | 253,087 |
| Total Expenditures | 3,465,662 | 562,688 | 947,820 | 113,752 | 5,089,922 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (81,089) | (54,970) | (172,386) | (61,944) | (370,389) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers In | 768 | | 102,041 | 2,073 | 104,882 |
| Transfers in from Enterprise Funds | 148,618 | | 75,414 | | 224,032 |
| Transfers Out | (110,646) | (2,114) | | | (112,760) |
| Capital Lease Acquisition | 128 | | | | 128 |
| Installments on Sale of Assets | | 14,020 | | | 14,020 |
| Bond Premiums | | | | 7,672 | 7,672 |
| Bond Issuance | | | | 65,793 | 65,793 |
| Total Other Financing Sources | 38,868 | 11,906 | 177,455 | 75,538 | 303,767 |
| Net Change in Fund Balances | (42,221) | (43,064) | 5,069 | 13,594 | (66,622) |
| Fund Balances - July 1 | 340,022 | 218,431 | | 49,517 | 607,970 |
| Change in Inventory | (380) | 2,800 | | 102 | 2,522 |
| Fund Balances - June 30 | $297,421 | $178,167 | $5,069 | $63,213 | $543,870 |

The notes to the basic financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds, including change in inventory | | $(64,100) |
| Revenue recognized on the Statement of Activities that do not provide current financial resources on the fund statements resulted in a net decrease from prior year | | (3,579) |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | |
| Land & Land Improvements | 16,801 | |
| Buildings & Building Improvements | 37,360 | |
| Equipment & Computer Software | 8,528 | |
| Construction in Progress | (45,939) | |
| Infrastructure | 88,609 | |
| Accumulated Depreciation, Net of Disposals | (73,153) | 32,206 |
| Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The net revenue of the internal service fund is reported with governmental activities. | | 8,402 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments. | | |
| Bond Proceeds & Premiums Received | (69,829) | |
| Repayment of Bond Principal & Interest | 98,919 | |
| Accretion of Bonds Payable | (1,001) | |
| Accrued Interest & Amortization | 8,086 | 36,175 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Elimination of the following expenses resulted in a net increase from prior year: | | |
| Changes in Compensated Absences, Workers Compensation | (5,944) | |
| Other Postemployment Benefits | (92,670) | |
| Pollution Remediation Obligation | (1,667) | |
| Legal Contingency | 9,553 | |
| Change in Capital Lease Obligation | 456 | |
| Advance Construction Commitments to Municipalities | 968 | |
| Other loan program | (280) | (89,584) |
| Change in net position of governmental activities | | $(80,480) |

The notes to the basic financial statements are an integral part of this statement

# Proprietary Fund Financial Statements

## *Enterprise Funds:*

***Turnpike System:*** *The State constructs, maintains, and operates transportation toll facilities. The Turnpike System presently consists of 90.6 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System. The Turnpike System comprises a total of approximately 617 total lane miles. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire.*

***Liquor Commission:*** *By statute, all liquor and beer sold in the State must be sold through a sales and distribution system operated by the state Liquor Commission, under the executive direction of the liquor commissioner appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to sell liquor through retail outlets as well as directly to restaurants, hotels, and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers and an additional fee of 30 cents per gallon on beverages sold by such retailers. Any excess funds of the Commission are transferred to the General Fund on a daily basis.*

***Lottery Commission:*** *The state sells lottery games online and through some 1,282 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. Additionally the Racing and Charitable Gaming Commision activities are included in this fund. This net income is transferred to the Education Fund and then transferred to the local school districts.*

***State Revolving Fund:*** *These funds consist of New Hampshire Clean Water and Drinking Water Revolving Funds. Programs operated within these funds provide loans to public water systems and local governments for constructing wastewater treatment facilities and safe drinking water systems. In addition, the programs provide supervision and technical assistance to these grantees. Funding is from U.S. Environmental Protection Administration grants and a general fund match. The funds are repaid with interest, then re-loaned.*

***New Hampshire Unemployment Compensation Trust Fund:*** *This fund receives contributions from employers and provides benefits to eligible unemployed workers, consistent with legislation and regulations which govern federal credit programs.*

***Internal Service Fund:*** *The employee benefit risk management fund reports the health related fringe benefit services for the State. The fund was created to account for the State's self-insurance program and to pool all resources to pay for the cost associated with providing these benefits to active employees and retirees.*

# STATE OF NEW HAMPSHIRE
# STATEMENT OF NET POSITION
# PROPRIETARY FUNDS
# JUNE 30, 2014
# (Expressed in Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities Internal Service Fund |
|---|---|---|---|---|---|---|---|
| **ASSETS** | Turnpike System | Liquor Commission | Lottery Commission | State Revolving Fund | Unemployment Compensation | Total | |
| **Current Assets:** | | | | | | | |
| Cash and Cash Equivalents | $58,528 | $7,770 | $2,339 | | | $68,637 | $52,206 |
| Cash and Cash Equivalents-Restricted | 25,746 | | | $247,149 | $272,434 | 545,329 | |
| Investments - Restricted | 32,990 | | | | | 32,990 | |
| Receivables (Net of Allowances for Uncollectibles) | 5,094 | 8,886 | 3,522 | | | 17,502 | 3,746 |
| Other Receivables-Restricted | | | | 36,126 | 33,564 | 69,690 | |
| Due from Other Funds | | | 790 | | | 790 | |
| Inventories | 1,404 | 54,442 | 779 | | | 56,625 | |
| Other Current Assets | | | 33 | | | 33 | |
| Other Current Assets-Restricted | | | | 6,461 | | 6,461 | |
| Total Current Assets | 123,762 | 71,098 | 7,463 | 289,736 | 305,998 | 798,057 | 55,952 |
| **Noncurrent Assets:** | | | | | | | |
| Other Receivables-Restricted | | | | 312,425 | | 312,425 | |
| Capital Assets: | | | | | | | |
| Land & Land Improvements | 114,405 | 3,078 | | | | 117,483 | |
| Buildings & Building Improvements | 6,438 | 26,895 | | | | 33,333 | |
| Equipment & Computer Software | 48,805 | 5,206 | 625 | | | 54,636 | |
| Construction in Progress | 161,515 | 7,007 | | | | 168,522 | |
| Infrastructure | 890,738 | | | | | 890,738 | |
| Less: Allowance for Depreciation & Amortization | (331,404) | (18,555) | (367) | | | (350,326) | |
| Net Capital Assets | 890,497 | 23,631 | 258 | | | 914,386 | |
| Other Assets - Restricted | | | 4,230 | | | 4,230 | |
| Total Noncurrent Assets | 890,497 | 23,631 | 4,488 | 312,425 | | 1,231,041 | |
| Total Assets | 1,014,259 | 94,729 | 11,951 | 602,161 | 305,998 | 2,029,098 | 55,952 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 3,009 | | | | | 3,009 | |
| **LIABILITIES** | | | | | | | |
| **Current Liabilities:** | | | | | | | |
| Accounts Payable | 6,610 | 62,475 | 1,609 | 3,432 | | 74,126 | 2,097 |
| Accrued Payroll | 643 | 1,633 | 203 | | | 2,479 | |
| Due to Other Funds | 1,183 | 2,318 | | | 3,633 | 7,134 | |
| Unearned Revenue | 10,560 | 2,194 | 1,047 | | | 13,801 | |
| Unclaimed Prizes | | | 4,272 | | | 4,272 | |
| General Obligation Bonds Payable | | 755 | | 2,275 | | 3,030 | |
| Revenue Bonds Payable-Current | 22,875 | | | | | 22,875 | |
| Note Payable to Highway Fund | 13,765 | | | | | 13,765 | |
| Accrued Interest Payable | 5,998 | | | | | 5,998 | |
| Claims & Compensated Absences Payable | 755 | 1,041 | 156 | | | 1,952 | 19,676 |
| Other Liabilities | 70 | | | 4 | 17,762 | 17,836 | |
| Total Current Liabilities | 62,459 | 70,416 | 7,287 | 5,711 | 21,395 | 167,268 | 21,773 |
| **Noncurrent Liabilities:** | | | | | | | |
| General Obligation Bonds Payable | | 10,836 | | 14,410 | | 25,246 | |
| Revenue Bonds Payable | 403,781 | | | | | 403,781 | |
| Note Payable to Highway Fund | 414 | | | | | 414 | |
| Claims & Compensated Absences Payable | 2,235 | 3,355 | 434 | | | 6,024 | |
| Other Noncurrent Liabilities | 2,857 | 379 | | | | 3,236 | |
| Total Noncurrent Liabilities | 409,287 | 14,570 | 434 | 14,410 | | 438,701 | |
| Total Liabilities | 471,746 | 84,986 | 7,721 | 20,121 | 21,395 | 605,969 | 21,773 |
| **NET POSITION** | | | | | | | |
| Net Investment in Capital Assets | 452,671 | 9,743 | 246 | | | 462,660 | |
| Restricted for Debt Repayments | 55,735 | | | | | 55,735 | |
| Restricted for Uninsured Risks | 3,001 | | | | | 3,001 | |
| Restricted for Prize Awards - MUSL & Tri-State | | | 4,230 | | | 4,230 | |
| Restricted for Environmental Loans | | | | 582,040 | | 582,040 | |
| Restricted for Unemployment Benefits | | | | | 284,603 | 284,603 | |
| Unrestricted Net Position (Deficit) | 34,115 | | (246) | | | 33,869 | 34,179 |
| Total Net Position | $545,522 | $9,743 | $4,230 | $582,040 | $284,603 | $1,426,138 | $34,179 |

The notes to the basic financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**PROPRIETARY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|---|---|---|---|---|---|
| | Turnpike System | Liquor Commission | Lottery Commission | State Revolving Fund | Unemployment Compensation | Total | Internal Service Fund |
| **OPERATING REVENUES** | | | | | | | |
| Charges for Sales and Services | | $611,157 | $280,508 | $10,628 | $154,223 | $1,056,516 | $259,539 |
| Toll Revenue Pledged for Repaying Revenue Bonds | $119,325 | | | | | 119,325 | |
| Total Operating Revenue | 119,325 | 611,157 | 280,508 | 10,628 | 154,223 | 1,175,841 | 259,539 |
| **OPERATING EXPENSES** | | | | | | | |
| Cost of Sales and Services | | 434,406 | | | | 434,406 | |
| Lottery Prize Awards | | | 194,885 | | | 194,885 | |
| Unemployment Insurance Benefits | | | | | 124,654 | 124,654 | |
| Principal Forgiveness | | | | 13,374 | | 13,374 | |
| Insurance Claims | | | | | | | 239,075 |
| Administration | 51,899 | 46,243 | 10,127 | 8,167 | | 116,436 | 12,062 |
| Depreciation | 22,832 | 1,007 | 40 | | | 23,879 | |
| Total Operating Expenses | 74,731 | 481,656 | 205,052 | 21,541 | 124,654 | 907,634 | 251,137 |
| Operating Income (Loss) | 44,594 | 129,501 | 75,456 | (10,913) | 29,569 | 268,207 | 8,402 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | | |
| Licenses | | 4,495 | | | | 4,495 | |
| Beer Taxes | | 12,656 | | | | 12,656 | |
| Investment Income | 78 | | 53 | 160 | 5,872 | 6,163 | |
| Miscellaneous | 2,981 | 2,504 | | | | 5,485 | |
| Federal Grant Revenue | | | | 36,876 | | 36,876 | |
| Interest on Bonds | (15,512) | (502) | | | | (16,014) | |
| Total Nonoperating Revenues (Expenses) | (12,453) | 19,153 | 53 | 37,036 | 5,872 | 49,661 | |
| Income Before Capital Grant Contributions | 32,141 | 148,654 | 75,509 | 26,123 | 35,441 | 317,868 | 8,402 |
| Capital Contributions and Grants | 3,108 | | | | | 3,108 | |
| Income Before Transfers | 35,249 | 148,654 | 75,509 | 26,123 | 35,441 | 320,976 | 8,402 |
| Transfers (To) From Governmental Funds | | (148,618) | (75,414) | 7,878 | | (216,154) | |
| Change in Net Position | 35,249 | 36 | 95 | 34,001 | 35,441 | 104,822 | 8,402 |
| Net Position - July 1 - Restated (note 17) | 510,273 | 9,707 | 4,135 | 548,039 | 249,162 | 1,321,316 | 25,777 |
| Net Position - June 30 | $545,522 | $9,743 | $4,230 | $582,040 | $284,603 | $1,426,138 | $34,179 |

The notes to the basic financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities Internal Service Fund |
|---|---|---|---|---|---|---|---|
| | Turnpike System | Liquor Commission | Lottery Commission | State Revolving Fund | Unemployment Compensation | Total | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | |
| Receipts from Federal and Local Agencies | | | | $7,062 | $11,147 | $18,209 | |
| Receipts from Customers | $120,746 | $613,862 | $153,297 | | 153,830 | 1,041,735 | $38,883 |
| Receipts from Interfund Charges | | | | | | | 219,460 |
| Payments to Employees | (15,979) | (25,825) | (4,711) | | | (46,515) | |
| Payments to Suppliers | (34,802) | (456,900) | (11,475) | (7,150) | | (510,327) | (10,840) |
| Payments to Prize Winners | | | (66,554) | | | (66,554) | |
| Payments for Insurance Claims | | | | | (123,614) | (123,614) | (236,447) |
| Payments for Interfund Services | | (4,744) | (72) | (364) | | (5,180) | |
| Net Cash Provided by (Used for) Operating Activities | 69,965 | 126,393 | 70,485 | (452) | 41,363 | 307,754 | 11,056 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | | |
| Transfers to Other Funds | | (149,024) | (76,823) | | | (225,847) | |
| Receipts from Federal Agencies | | | | 36,986 | | 36,986 | |
| Contributions from Other Funds | | | | 7,878 | | 7,878 | |
| Interest Paid on Bonds | | | | (110) | | (110) | |
| Principal Paid on Bonds | | | | (2,280) | | (2,280) | |
| Net Proceeds from Issuance of Bonds | | | | 18,965 | | 18,965 | |
| Proceeds from Collection of Licenses and Beer Tax | | 17,151 | | | | 17,151 | |
| Net Cash Provided by (Used for) Noncapital and Related Financing Activities | | (131,873) | (76,823) | 61,439 | | (147,257) | |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | | |
| Acquisition, Disposal , Sale and Construction of Capital Assets | (53,518) | (6,424) | (140) | | | (60,082) | |
| Interest Paid on Bonds | (22,318) | (502) | | | | (22,820) | |
| Principal Paid on Bonds | (17,605) | (756) | | | | (18,361) | |
| Principal Paid on Notes | (14,020) | | | | | (14,020) | |
| Net Proceeds from Issuance of Bonds | (44) | | | | | (44) | |
| Receipts from Federal Agencies | 2,905 | | | | | 2,905 | |
| Net Cash Used for Capital and Related Financing Activities | (104,600) | (7,682) | (140) | | | (112,422) | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | |
| Investment Proceeds | 18,920 | | | | | 18,920 | |
| Purchase of Investment | (32,994) | | | | | (32,994) | |
| Receipts from borrowers | | | | 26,171 | | 26,171 | |
| Payments to borrowers | | | | (49,300) | | (49,300) | |
| Interest and Other Income | 331 | 2,469 | 30 | 160 | 5,872 | 8,862 | |
| Net Cash Provided by (used for) Investing Activities | (13,743) | 2,469 | 30 | (22,969) | 5,872 | (28,341) | |
| Net Increase in Cash & Cash Equivalents | (48,378) | (10,693) | (6,448) | 38,018 | 47,235 | 19,734 | 11,056 |
| Cash and Cash Equivalents - July 1 | 132,652 | 18,463 | 8,787 | 209,131 | 225,199 | 594,232 | 41,150 |
| Cash and Cash Equivalents -June 30 | $84,274 | $7,770 | $2,339 | $247,149 | $272,434 | $613,966 | $52,206 |

The notes to the basic financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities Internal Service Fund |
|---|---|---|---|---|---|---|---|
| | Turnpike System | Liquor Commission | Lottery Commission | State Revolving Fund | Unemployment Compensation | Total | |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:** | | | | | | | |
| Operating Income (Loss) | $44,594 | $129,501 | $75,456 | $(10,913) | $29,569 | $268,207 | $8,402 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | | | | |
| Depreciation | 22,832 | 1,007 | 40 | | | 23,879 | |
| Principal Forgiveness | | | | 13,374 | | 13,374 | |
| Interest Income on Loans | | | | (3,604) | | (3,604) | |
| Miscellaneous Income | 198 | | | | | 198 | |
| Change in Operating Assets and Liabilities: | | | | | | | |
| Change in Receivables/Loans | 436 | 2,727 | (254) | (254) | 12,786 | 15,441 | (1,196) |
| Change in Inventories | 140 | (9,820) | 248 | | | (9,432) | |
| Change in Other Current Assets | | | 14 | (2,074) | | (2,060) | |
| Change in Restricted Deposits-MUSL | | | (96) | | | (96) | |
| Change in Accounts Payable and Other Accruals | 1,174 | 2,978 | (477) | 3,019 | (992) | 5,702 | 1,222 |
| Change in Claims Payable | | | (4,444) | | | (4,444) | 2,628 |
| Change in Unearned Revenue | 591 | | (2) | | | 589 | |
| Net Cash Provided by (Used In) Operating Activities | $69,965 | $126,393 | $70,485 | $(452) | $41,363 | $307,754 | $11,056 |

**Turnpike Non-Cash Capital and Related Financing Activities:**

| | |
|---|---|
| Capital Contributions | $2,671 |
| I-95 Bridge Paint Maintenance | $229 |

**Liquor Non-Cash Capital and Related Financing Activities:**

| | |
|---|---|
| During fiscal year 2014, the State's Capital Projects Fund paid Construction in Progress | $1,575 |

**SRF Non-Cash Investing Activities:**

| | |
|---|---|
| Principal Forgiveness | $13,374 |

The notes to the basic financial statements are an integral part of this statement

# Fiduciary Funds Financial Statements

***Pension Trust Funds:***

***New Hampshire Retirement System -*** *The New Hampshire Retirement System (NHRS) is the administrator of a cost-sharing multiple employer contributory pension plan and trust established on July 1, 1967, and is intended to meet the requirements of a qualified tax-exempt organization within the meaning of section 401(a) and section 501(a) of the United States Internal Revenue Code. Participating employers include the employees of the State government of New Hampshire, certain cities and towns, all counties, and various school districts. The NHRS is a component unit of the State.*

***New Hampshire Judicial Retirement Plan*** *The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 and is a contributory pension plan and trust intended to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a component unit of the State.*

***Private-Purpose Trust Funds:*** *Private-Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.*

***Investment Trust Fund:*** *The investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund. NHPDIP financial statements can be obtained by contacting NHPDIP at 5 Country View Drive, Raymond, NH 03077.*

***Agency Funds:*** *Assets received by the State as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. The Unified Court System Litigation accounts which are held pending judicial judgements and Child Support Funds are two of the larger agency funds of the State.*

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF FIDUCIARY NET POSITION**
**JUNE 30, 2014**
**(Expressed in Thousands)**

| | Pension Trust Funds | Private-purpose Trust Funds | Investment Trust Funds | Agency Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $10,956 | $6,802 | $2 | $12,553 |
| Receivables: | | | | |
| Due from Employers | 42,504 | | | |
| Due from Group I Teacher OPEB Plan | 12,406 | | | |
| Due from Plan Members | 21,968 | | | |
| Due from Brokers for Securities Sold | 11,961 | | | |
| Interest and Dividends | 18,707 | | 24 | |
| Other | 2,497 | | | |
| Total Receivables | 110,043 | | 24 | |
| Investments | 7,377,035 | 4,168 | 195,075 | |
| Other Assets | 239 | | | |
| Total Assets | 7,498,273 | 10,970 | 195,101 | 12,553 |
| **LIABILITIES** | | | | |
| Management Fees and Other Payables | 9,003 | | 91 | |
| Due to Group II Police & Fire OPEB Plan | 3,226 | | | |
| Due to Group I Political Subdivision OPEB Plan | 9,180 | | | |
| Due to Brokers for Securities Purchased | 18,219 | | | |
| Custodial Funds Payable | | | | 12,553 |
| Other Liabilities | | | 64 | |
| Total Liabilities | 39,628 | | 155 | 12,553 |
| Net Position Held in Trust for Benefits & Other Purposes | $7,458,645 | $10,970 | $194,946 | |

| | | | |
|---|---|---|---|
| **RECONCILIATION OF NET POSITION HELD IN TRUST:** | | | |
| Employees' Pension Benefits | $7,435,211 | | |
| Employees' Postemployment Healthcare Benefits | 23,434 | | |
| Net Position for Pool Participants in External Investment Pool | | | $194,946 |
| Other Purposes | | $10,970 | |
| Net Position Held in Trust for Benefits & Other Purposes | $7,458,645 | $10,970 | $194,946 |

The notes to the basic financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | Pension Trust Funds | Private-purpose Trust Funds | Investment Trust Funds |
|---|---|---|---|
| **ADDITIONS** | | | |
| **Contributions:** | | | |
| Employer | $381,176 | | |
| Plan Members | 199,675 | | |
| From Participants | | $30,858 | $200,910 |
| Total Contributions | 580,851 | 30,858 | 200,910 |
| **Investment Income:** | | | |
| From Investing Activities: | | | |
| Net Appreciation in Fair Value of Investments | 969,776 | | |
| Interest Income | 59,156 | 89 | |
| Dividends | 90,945 | | |
| Alternative Investment Income | 1,423 | | |
| Net Increase in Joint Value from Investment Income | | | 49 |
| Other | 7,773 | 768 | |
| Gross Income from Investing Activities | 1,129,073 | 857 | 49 |
| **Less: Investment Activity Expenses:** | | | |
| Investment Management Fees | 22,371 | | |
| Custodial Fees | 806 | | |
| Investment Advisor Fees | 780 | | |
| Investment Administrative Expense | 674 | | |
| Total Investment Activity Expenses | 24,631 | | |
| Total Net Income from Investing Activities | 1,104,442 | 857 | 49 |
| Interest Income | 1,051 | | |
| **Total Additions** | 1,686,344 | 31,715 | 200,959 |
| **DEDUCTIONS** | | | |
| Benefits/Distributions to Participants | 658,581 | 14,771 | 49 |
| Refunds of Contributions | 26,120 | | |
| Administrative Expense | 7,624 | | |
| Professional Fees | 1,085 | | |
| Interest Expense | 1,051 | | |
| Other | 367 | 15,571 | 192,055 |
| **Total Deductions** | 694,828 | 30,342 | 192,104 |
| **Change in Net Position** | 991,516 | 1,373 | 8,855 |
| **NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES** | | | |
| Net Position - July 1 | 6,467,129 | 9,597 | 186,091 |
| **Net Position - June 30** | $7,458,645 | $10,970 | $194,946 |

The notes to the basic financial statements are an integral part of this statement

# Component Units Financial Statements

**STATE OF NEW HAMPSHIRE**
**COMBINING STATEMENT OF NET POSITION**
**COMPONENT UNITS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | University System of New Hampshire | Non-Major Component Units | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | $80,339 | $25,160 | $105,499 |
| Cash and Cash Equivalents - Restricted | | 16,360 | 16,360 |
| Operating Investments | 154,291 | | 154,291 |
| Accounts Receivable. | 20,964 | 3,516 | 24,480 |
| Other Receivables | 1,582 | 4,479 | 6,061 |
| Notes Receivable - Current Portion | 4,797 | 13,165 | 17,962 |
| Prepaid Expenses & Other | 8,815 | 1,445 | 10,260 |
| Total Current Assets | 270,788 | 64,125 | 334,913 |
| Noncurrent Assets: | | | |
| Investments | 666,855 | 19,070 | 685,925 |
| Notes & Other Receivables | 25,009 | 30,629 | 55,638 |
| Other Assets | | 11,046 | 11,046 |
| Capital Assets: | | | |
| Land & Land Improvements | 13,387 | 13,860 | 27,247 |
| Building & Building Improvements | 1,551,468 | 285,867 | 1,837,335 |
| Equipment | 110,455 | 31,132 | 141,587 |
| Construction in Progress | 37,784 | 16,342 | 54,126 |
| Less: Accumulated Depreciation | (730,818) | (155,300) | (886,118) |
| Net Capital Assets | 982,276 | 191,901 | 1,174,177 |
| Total Noncurrent Assets | 1,674,140 | 252,646 | 1,926,786 |
| Total Assets | 1,944,928 | 316,771 | 2,261,699 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 35,401 | | 35,401 |
| **LIABILITIES** | | | |
| Current Liabilities: | | | |
| Accounts Payable | 54,130 | 6,402 | 60,532 |
| Accrued Salaries and Wages | | 5,701 | 5,701 |
| Accrued Employee Benefits - Current | 8,681 | 33 | 8,714 |
| Other Payables & Accrued Expenses | | 5,991 | 5,991 |
| Other Liabilities | 4,871 | 2,349 | 7,220 |
| Deposits and Unearned Revenues | 32,846 | 4,931 | 37,777 |
| Long Term Debt - Current Portion | 50,246 | 2,511 | 52,757 |
| Total Current Liabilities | 150,774 | 27,918 | 178,692 |
| Noncurrent Liabilities: | | | |
| Revenue Bonds Payable | 380,323 | | 380,323 |
| Accrued Employee Benefits | 34,969 | | 34,969 |
| Postemployment Medical Benefits | 46,590 | | 46,590 |
| Derivative Instruments - Interest Rate Swaps | 29,828 | | 29,828 |
| Other Long Term Debt | 19,534 | 57,527 | 77,061 |
| Total Noncurrent Liabilities | 511,244 | 57,527 | 568,771 |
| Total Liabilities | 662,018 | 85,445 | 747,463 |
| **NET POSITION** | | | |
| Net investment in Capital Assets | 574,302 | 166,013 | 740,315 |
| Restricted: | | | |
| Nonexpendable | 223,847 | | 223,847 |
| Expendable | 173,590 | 47,163 | 220,753 |
| Unrestricted | 346,572 | 18,150 | 364,722 |
| Total Net Position | $1,318,311 | $231,326 | $1,549,637 |

The notes to the basicfinancial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**
**COMBINING STATEMENT OF ACTIVITIES**
**COMPONENT UNITS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(Expressed in Thousands)**

| | University System of New Hampshire | Non-Major Component Units | Total |
|---|---|---|---|
| **Expenses** | $774,169 | $167,012 | $941,181 |
| **Program Revenues:** | | | |
| Charges for Services: | | | |
| Tuition & Fees | 465,265 | 74,082 | 539,347 |
| Student Financial Aid | (144,215) | (900) | (145,115) |
| Sales, Services, & Other Revenue | 230,151 | 32,199 | 262,350 |
| Operating Grants & Contributions | 163,699 | 14,081 | 177,780 |
| Capital Grants & Contributions | 3,791 | 2,772 | 6,563 |
| Total Program Revenues | 718,691 | 122,234 | 840,925 |
| Net Expenses | (55,478) | (44,778) | (100,256) |
| Interest & Investment Income | 109,445 | 2,079 | 111,524 |
| Payments from State of New Hampshire | 74,997 | 47,023 | 122,020 |
| Change in Net Position | 128,964 | 4,324 | 133,288 |
| **Net Position - July 1 - Restated (note 17)** | 1,189,347 | 227,002 | 1,416,349 |
| **Net Position - June 30** | $1,318,311 | $231,326 | $1,549,637 |

# Notes to the Basic Financial Statements

# NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. REPORTING ENTITY

For financial reporting purposes, the State's reporting entity includes all funds, organizations, agencies, boards, commissions, authorities and all component units for which the state is financially accountable. There are no other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading. The criteria to be considered in determining financial accountability include whether the State, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the State. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government and the primary government is in a relationship of financial benefit/burden with the organization.

Component units are either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the State, are deemed to be related organizations. The nature and relationship of the State's component units and related organizations are disclosed in the following section.

**Discrete Component Units:**
Discrete component units are entities, which are legally separate from the State, but for which the State is financially accountable for financial reporting purposes, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading. Complete audited financial statements of the individual component units can be obtained from the respective entities.

The component unit columns of the government-wide financial statements include the financial data of the following entities:

**Major Component Unit**
**University System of New Hampshire -** The University System of New Hampshire (USNH) is a body corporate and politic with a governing board of twenty-seven members. A voting majority is held by the State through the eleven members appointed by the Governor and Executive Council and three state officials serving as required by law. These State officials are the Governor, the Commissioner of the Department of Education, and the Commissioner of the Department of Agriculture. The remaining board members represent the university and colleges of the system, the alumni, and the student body. The USNH funds its operations through tuition and fees, government grants and contracts, auxiliary operations, and State appropriations which impose a specific financial burden on the State. USNH financials can be obtained by contacting USNH at 18 Garrison Avenue, Durham, NH 03824.

**Non-major Component Units**
**Business Finance Authority of the State of New Hampshire -** The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two State Representatives, two Senators, and the State Treasurer. The State currently guarantees outstanding loans and principal on bonds of the BFA as of June 30, 2014, which creates the potential for the BFA to impose a financial burden on the State. BFA's financials can be obtained by contacting the BFA at 2 Pillsbury Street, Suite 201, Concord, NH 03301.

**Community Development Finance Authority -** The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. Additionally, CDFA imposes a financial burden on the State as investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the state. In accordance with RSA 162-L:10, the total credits allowed shall not exceed $5.0 million in any state fiscal year. CDFA's financials can be obtained by contacting the CDFA at 14 Dixon Avenue, Suite 102, Concord, NH 03301.

**Pease Development Authority** - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the Governor and State legislative leadership, and three members are appointed by the City of Portsmouth and the Town of Newington. The State currently guarantees outstanding loans and principal on bonds of the PDA and has issued bonds on behalf of the PDA as of June 30, 2014, which creates the potential for the PDA to impose a financial burden on the State. In addition, the State has made several loans to the PDA. PDA's financials can be obtained by contacting PDA at 55 International Drive, Portsmouth, NH 03801.

**The Community College System of New Hampshire (CCSNH)** The CCSNH was established under Chapter 361, Laws of 2007 (effective date July 17, 2007), as a body politic and corporate, whose main purpose is to provide a well-coordinated system of public community college education. The CCSNH includes colleges in Berlin, Claremont, Concord, Laconia, Manchester, Nashua and Portsmouth. It is governed by a single board of trustees with 23 voting members appointed by the Governor and Executive Council. The CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and state appropriations which impose a specific financial burden on the State.

With the establishment of the CCSNH, certain net assets of the primary government attributable to the CCSNH, were transferred. Included in the transfer were only those capital assets and related bonds payable which were deemed self-funded by the CCSNH. During fiscal year 2012, all remaining capital assets attributable to CCSNH were transferred pursuant to Chapter 199 Laws of 2011 and as of June 30, 2014, the debt retained by the State for CCSNH assets was approximately $38.0 million. CCSNH's financials can be obtained by contacting CCSNH at 26 College Drive, Concord, NH 03301.

**Fiduciary Component Units:**
The state's fiduciary component units consist of the Pension Trust Funds, which represent the assets and liabilities of the following:

**New Hampshire Retirement System** - The New Hampshire Retirement System (System) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection to its members, which include full-time employees of the State and substantially all school teachers, firefighters, and police officers within the State. Full-time employees of political subdivisions may participate if their governing body elects to participate.

The System is administered by a 13 member Board of Trustees on which the State does not represent a voting majority. The Board has all the powers of a corporation and is fiduciarily responsible for the System's assets and directs the investment of those assets through an independent investment committee, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the board, and generally supervises the operations of the System.

The System is deemed to be fiscally dependent on the State because the employee member contribution rates are set through State statute, and the State has budget approval authority over some administrative costs of the System.

**New Hampshire Judicial Retirement Plan –** The New Hampshire Judicial Retirement Plan (the Plan) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 414(d) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, and circuit court judges employed within the State.

The Plan is administered by a seven member Board of Trustees that is appointed by the State. The Board is fiduciarily responsible for the Plan's assets and oversees the investment of those assets, approving the actuarial valuation of the Plan including assumptions, interpreting statutory provisions and generally supervises the operations of the Plan.

The Plan is deemed to be fiscally dependent on the State because of the State's contributions toward the Plan's unfunded accrued liabilities and employee member contribution rates are set through State statute.

These component units are presented along with other fiduciary funds of the State, and have been omitted from the State's government-wide financial statements.

**Related Organizations:**
The State is responsible for appointing voting members of the governing boards of the following legally separate organizations; however, the State is not financially accountable for these organizations. Although the Treasurer may serve as a Trustee and have certain involvement with the organizations, the organizations are not fiscally dependent upon the primary government and the organizations do not provide specific benefit to or impose burden on the primary government. Exclusion of these organizations from the State's financial statements would not render the financial statements to be misleading.

Related Organizations Excluded :
· Maine – New Hampshire Interstate Bridge Authority
· New Hampshire Health and Education Facilities Authority
· New Hampshire Housing Finance Authority
· New Hampshire Municipal Bond Bank
· Nuclear Decommissioning Trust

## B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

**Government-Wide Financial Statements**
The Statement of Net Position and Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are normally supported through taxes and intergovernmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The *Statement of Net Position* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position from net investment in capital assets includes capital assets net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as part of restricted net position. The remaining net position is considered unrestricted.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue. Certain indirect costs are included in program expenses reported for individual functions.

**Fund Financial Statements**
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

## C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

**Measurement Focus and Basis of Accounting**
The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Derived tax revenues are recognized as revenues in the period the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

*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 liabilities of the current period. For this purpose the state generally considers revenues to be available if they are collected within 60 days after year end. Receivables not expected to be collected within 60 days are offset by deferred inflows of resources. An exception to this policy is federal

grant revenue, which generally is considered to be available if collection is expected within 12 months after year end. Taxes, grants, licenses and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period when available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service and other long-term obligations including compensated absences, other post-employment benefits, pollution remediation obligations and claims and judgments are recorded only when payment is due.

*Proprietary Fund, Fiduciary Funds and Similar Component Units, and Discrete Component Unit* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

**Financial Statement Presentation**

A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The State reports the following major governmental funds:

*General Fund:* The General Fund is the State's primary operating fund and accounts for all financial transactions not accounted for in any other fund.

*Highway Fund:* The Highway Fund is used to account for the revenues and expenditures used in the construction and maintenance of the State's public highways and the supervision of traffic thereon.

*Education Fund:* In fiscal year 2000, the Education Trust Fund was created in accordance with Chapter 17:41, Laws of 1999. The fund is non-lapsing and is used to distribute adequate education grants to school districts.

The State reports the following major enterprise funds as part of the Proprietary Fund Financial Statements:

The *Liquor Commission* accounts for the operations of State-owned liquor stores and the sales of all beer and liquor sold in the State.

The *Lottery Commission* accounts for the operations of the State's Lottery Commission and the State's Racing & Charitable Gaming activities.

The *Turnpike System* accounts for the revenues and expenses used in the construction, maintenance and operations of three limited access highways: the Blue Star Turnpike (I-95), the Spaulding Turnpike and the Central Turnpike. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire.

The *State Revolving Fund* makes loans to public water systems and local governments for wastewater treatment facilities and safe drinking water systems, funded by programs under the U.S. Environmental Protection Administration.

The *New Hampshire Unemployment Compensation Trust Fund* receives contributions from employers and provides benefits to eligible unemployed workers.

Additionally, the state reports the following non-major funds:

**Governmental Fund Types**

*Fish and Game Fund* – accounts for the operation of fish hatcheries, inland and marine fisheries and wildlife areas and functions related to law enforcement, land acquisition and wildlife management and research. Principal revenues include fees from fish and game licenses, the marine gas tax, penalties, recoveries, federal grants-in-aid related to fish and game management and other funding as approved by the Legislature.

*Capital Projects Fund* - used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of state bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

*Permanent Funds* – report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry.

**Proprietary Fund Types**

*Internal Service Fund* - provides services primarily to employees and retirees of the State, rather than to the general public. These services include health related fringe benefits. In the government-wide financial statements, internal service funds are included with governmental activities.

**Fiduciary Fund Types**

*Pension (and Other Employee Benefits) Trust Funds* – report resources that are required to be held in trusts for the members and beneficiaries of the State's contributory defined benefit plans, and post employment benefit plan. The New Hampshire Retirement System and The New Hampshire Judicial Retirement Plan are component units of the State.

*Investment Trust Fund* - accounts for the transactions, assets, liabilities and fund equity of the external investment pool.

*Private Purpose Trust Funds* - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

*Agency Funds* - report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

**Reporting Periods**

The accompanying financial statements of the State are presented as of June 30, 2014, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2013.

**D. CASH EQUIVALENTS**

For the purposes of the Statement of Cash Flows, cash equivalents represent short-term investments with original maturities less than three months from the date acquired by the State and are stated at cost.

**E. INVESTMENTS**

Investments are reported at fair value except for investments of the investment trust fund, which are reported using the amortized cost method of valuation provided that amortized cost approximates the fair value of a security.

**F. RECEIVABLES**

Receivables in the government-wide financial statements represent amounts due to the State at June 30, recorded as revenue, which will be collected sometime in the future and consist primarily of accrued taxes and federal grants receivable. In the governmental fund financial statements, taxes receivable are primarily taxpayer-assessed revenues where

the underlying exchange has occured in the period ending June 30 or prior, and for federal grants, which reimburse the State for expenditures incurred pursuant to federally funded programs. Tax and grant revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting.

Other Receivables - Restricted are primarily loans receivable made to public water systems and local governments under the State's revolving loan fund, for wastewater treatment facilities and safe drinking water systems. Loans are funded by federal grants from programs by the U.S. Environmental Protection Administration, with federal grants and partially matching state funds. Repayments, which are restricted for re-lending, can be made over terms from five to twenty years, with deeply discounted interest rates and, based on specific federal criteria, may allow for forgiveness of portions of the loans. Discounts on loans are recognized at such time as the creditor has fulfilled all requirements of entitlement. Loan amounts classified currently represent those loan amounts expected to be satisfied within the forthcoming fiscal year.

**G. INVENTORIES**

Inventories for materials and supplies are determined by physical count. Both the Lottery and Liquor Commissions use the lower of cost or market to value their inventories. Lottery uses the first-in, first-out method and Liquor uses the average cost method. All other inventories in the governmental and proprietary funds are stated at average cost.

Governmental fund inventories are recorded under the purchase method. Reported inventory balances in the governmental funds are offset by a nonspendable fund balance designation that indicates they do not constitute available spendable resources.

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Equipment is capitalized when the cost of individual items exceed $10,000, and all other capital assets are capitalized when the cost of individual items or projects exceed $100,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government and the component units are depreciated using the straight-line method over the following useful lives:

Equipment 5 years
Buildings 40 years
Building improvements 20 years
Infrastructure 50 years
Computer software 5 years

**I. UNEARNED REVENUE**

In the government-wide financial statements, governmental fund financial statements and the proprietary fund financial statements, unearned revenue is recognized when cash, receivables or other assets are recorded prior to their being earned.

**J. ACCOUNTS PAYABLE**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2014.

**K. COMPENSATED ABSENCES**

All full-time State employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, should generally be taken within one year or in accordance with applicable collective bargaining agreements.

The State's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the State's share of social security, Medicare and retirement contributions. The current portion of the leave liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent it is probable that the benefits will result in termination payments rather than be taken as absences due to illness. The liability for compensated absences is recorded on the accrual basis in the government-wide and proprietary fund financial statements.

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are "due and payable."

**L. FUND BALANCES**

Fund balances for all governmental funds are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of the fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents the amount that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's, or other executive authority's intent to be used for specific purposes.

The State maintains a stabilization account: Revenue Stabilization Account (the "Rainy Day Fund") in the general fund reported as unassigned fund balance. See Note 15 for additional information about fund balances and the stabilization account.

**M. BOND DISCOUNTS AND PREMIUMS**

In the government-wide and proprietary fund financial statements, bond discounts/premiums are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond discounts and premiums are recognized in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

**N. REVENUES AND EXPENDITURES/EXPENSES**

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further

by function (e.g. general government, education, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. In the governmental funds, when expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's general policy to spend committed resources first followed by assigned and unassigned resources, respectively.

In the governmental fund financial statements, expenditures are reported by character: "Current", "Debt Service" or "Capital Outlay." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property or infrastructure including the Highway Fund's capital outlays for the 10-year state capital highway construction program.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. administration and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are generally reported as nonoperating.

**Other Financing Sources (Uses)** – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing provided by bond proceeds. Transfers are reported when incurred as "Transfers In" by the receiving fund and as "Transfers Out" by the disbursing fund.

**Reimbursements** - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance and telecommunications. These transactions, when material, have been eliminated in the government-wide and governmental fund financial statements.

**O. INTERFUND ACTIVITY AND BALANCES**

**Interfund Activity –** As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule include activities between funds reported as governmental activities and funds reported as business-type activities (e.g. transfers of profits from the Liquor Commission to General Fund and the Lottery Commission to the Education Fund). Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources.

**Interfund Balances –** Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the amounts due between governmental and business-type activities.

**P. ENCUMBRANCES AND CAPITAL PROJECTS**

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.

Governmental activities generally records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund.

Resources obtained to finance capital projects include federal grants and general obligation bonds. General obligation bonds are recorded as liabilities and as other financing sources, as appropriate in the funds that receive the proceeds.

**Q. BUDGET CONTROL AND REPORTING**

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 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 funds, with the exception of the Capital Projects Fund, and certain proprietary funds. 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 statements. Fiduciary funds are not budgeted.

In addition to the enacted biennial operating budget, state departments may submit to the Legislature and Governor and Council, as required, supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department with the appropriate approvals; therefore, the legal level of budgetary control is generally at the departmental level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the 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 generally lapse to assigned or unassigned fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as restricted, committed or assigned fund balance. The balance of unexpended encumbrances are 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.

Budget to Actual Comparisons and additional budgetary information are included as Required Supplementary Information.

**R. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**S. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended June 30, 2014, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 65, *Items Prevously Reported as Assets and Liabilities,* (GASBS 65) establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASBS 65 resulted in the reclassification of certain items previously reported as assets and liabilities, and required the write-off of deferred bond issuance costs that were previously classified as assets, therefore the beginning net position of the Turnpike System and the Business Finance Authority have been restated (see note 17).

GASBS No. 66, *Technical Corrections - 2012, (*GASBS 62) amends GASBS No. 10, *Accounting and Financial Reporting for Risk Financing Related Insurance Issues*, and GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-Novemener 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 66 amends GASBS No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. It also amends GASBS No. 62 by modifying the specific guidance of accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) serving fee rate. Adoption of GASBS 66 did not require modification to the financial statements.

GASBS No. 70, *Accounting and Financial for Nonexchange Financial Guarantees* (GASBS 70), establishes accounting and financial reporting standards for governments that extend and receive nonexchange financial guarantees. GASBS 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Adoption of GASBS 70 did not require modification to the financial statements.

**T. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

In the government-wide financial statements deferred outflows of resources represent deferred loss on bond refundings and accumulated changes in fair value of hedging derivative instruments.

In the governmental fund financial statements deferred inflows of resources represent revenues accrued which do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. The deferred inflow of resources in the governmental fund types has primarily resulted as an offset to taxes receivable but not available and long-term loans receivable.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

**PRIMARY GOVERNMENT**

The State pools cash and investments except for separate cash and investment accounts maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets is included on the statement of financial position under the captions "Cash and Cash Equivalents" and "Investments". Cash and investments of the New Hampshire Retirement System and the New Hampshire Judicial Retirement Plan are excluded from this footnote and can be obtained from their respective audited financial statements.

**DEPOSITS:**

The following statutory requirements and State Treasury policies have been adopted to minimize risk associated with deposits:

RSA 6:7 establishes the policy the State Treasurer must adhere to when depositing public monies. Operating funds are invested per investment policies that further define appropriate investment choices and constraints as they apply to those investment types.

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

Custodial credit risk is managed in a variety of ways. Although state law does not require deposits to be collateralized, the Treasurer does utilize such arrangements where prudent and/or cost effective. All banks, where the State has deposits and/or active accounts, are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk.

All deposits at FDIC-insured depository institutions (including noninterest bearing accounts) were insured by the FDIC up to the standard maximum amount of $250,000 for each deposit insurance ownership category.

All commercial paper must be from issuers having an A1/P1 rating or better and an AA- or better long-term debt rating from one or more of the nationally recognized rating agencies. Certificates of deposits must be with state or federally chartered banking institutions with a branch in New Hampshire. The institution must have the highest rating as measured by Veribanc, Inc.

Whereas all payments made to the State are to be in U.S dollars, foreign currency risk is essentially nonexistent on state deposits.

As of June 30, 2014, the State's carrying value for deposits was $926.9 million. The table below details the state's bank balances at June 30, 2014 exposed to custodial credit risk (expressed in thousands):

| | Governmental & Business Type | | | Fiduciary | | |
|---|---|---|---|---|---|---|
| **Type** | **Insured** | **Collateral & held in State's name** | **Uncollateralized** | **Insured** | **Collateral & held in State's name** | **Uncollateralized** |
| Demand Deposits | $750 | $644,280 | $34,385 | | $11,237 | $28 |
| Money Market | 664 | 150,906 | | | | 8,395 |
| Savings Accounts | | | | | 3,809 | |
| CDs | | 36,141 | 37,901 | | | |
| **Total** | $1,414 | $831,327 | $72,286 | | $15,046 | $8,423 |

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

**INVESTMENTS:**

The State Treasury has adopted policies to ensure reasonable rates of return on investments while minimizing risk factors. Approved investments are defined in statute (RSA 6:8, 387:6, 387:6-a, and 387:14). Additionally, investment guidelines exist for operating funds as well as trust and custodial funds. All investments will be denominated in U.S. dollars. As of June 30, 2014, the State had the following types of investments:

| | (Fair values in thousands) | |
|---|---|---|
| **Investment Type** | **Governmental & Business Type** | **Fiduciary** |
| Stocks | $18,244 | |
| Corporate Bonds | 905 | |
| US Treasury | 260 | |
| US Government Agencies | 59,603 | |
| Municipal Bonds | 83 | |
| Equity Open Ended Mutual Funds | 13,070 | $1,469 |
| Fixed Income Open Ended Mutual Funds | 4,451 | 2,699 |
| Unemployment Compenation External Pool (special issue bonds guaranteed by US government) | 272,434 | |
| NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund) | | 57 |
| External Portion of NH Public Deposit Investment Pool | | 195,075 |
| **Totals** | **$369,050** | **$199,300** |

The table below reconciles the cash and investments in the financial statements to the footnote (expressed in thousands):

**Reconciliation Between Financial Statements and Footnote**

| | | Unrestricted | | Restricted | | |
|---|---|---|---|---|---|---|
| | | **Cash and Cash Equivalents** | **Investments** | **Cash and Cash Equivalents** | **Investments** | **Total** |
| **Per Statement of Net Position** | Primary Government | $508,393 | $16,429 | $677,301 | $78,448 | $1,280,571 |
| **Per Statement of Fiduciary Net Position** | Private Purpose | 6,802 | 4,168 | | | 10,970 |
| | Investment Trust | 2 | 195,075 | | | 195,077 |
| | Agency Funds | 12,553 | | | | 12,553 |
| | **Total per Financial Statements** | **$527,750** | **$215,672** | **$677,301** | **$78,448** | **$1,499,171** |

| **Per Footnote** | |
|---|---|
| Cash On Hand | $3,919 |
| Carrying Amount of Deposits | 926,902 |
| Investments | 568,350 |
| **Total Per Footnote** | **$1,499,171** |

**Repurchase Agreements:**
Repurchase agreements must be executed through a New Hampshire or Massachusetts bank with assets in excess of $500 million and has either the strongest rating as measured by Veribanc, Inc. or has a long term debt rating of AA- or better as rated by Standard and Poor's and Fitch or Aa3 or better as rated by Moody's. Repurchase agreements may also be executed through any of the primary government security dealers as designated by the Federal Reserve.

**Custodial Credit Risk:** The State's repurchase agreements are all with banking institutions and therefore subject to custodial credit risk. The custodial credit risk is the risk that in the event of a bank failure, the State's deposits may not be recovered.

**Interest Rate Risk:** Term Repurchase Agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the state's investments. The State measures its interest rate risk using the weighted average maturity method (WAM). The State's WAM is dollar weighted in terms of years.

As of June 30, 2014, the State did not have any repurchase agreements outstanding.

**Stocks:**
The State's policy relative to operating funds and mitigation of concentration of credit risk does not permit investing in stocks. Although not issuer specific, individual investment guidelines for trust and custodial funds include overall asset allocation limits that are consistent with sound investment principles and practices. There is no concentration, custodial or credit risk to the State for amounts held in the State's abandoned property program.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

**Concentration Risk:** The risk of loss attributed to the magnitude of the State's investment in a single issuer. The top 10 issuers as of June 30, 2014 are noted below (expressed in thousands):

| | Governmental Activities | | | |
|---|---|---|---|---|
| Name / Issuer | Aband. Property | Permanent Funds | Total | % of Total Stock |
| Metlife Inc | $2,538 | | $2,538 | 13.9% |
| Prudential Financial Inc | 802 | | $802 | 4.4% |
| AT&T Inc | 722 | 72 | $794 | 4.4% |
| Verizon Communications Inc | 444 | 69 | $513 | 2.8% |
| Comcat Corp | 401 | | $401 | 2.2% |
| Chevron Corp | 333 | 32 | $365 | 2.0% |
| Manulife Financial Inc | 345 | | $345 | 1.9% |
| Rockwell Collins Inc | 285 | 53 | $338 | 1.9% |
| Marriott International Inc | 333 | | $333 | 1.8% |
| Loew's Corp | 330 | | $330 | 1.8% |

**Custodial Risk:** The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investments that are in the possession of an outside party. All the State's stocks are uninsured, registered in the State's name and held by the custodian. Custodial credit quality with respect to investments is mitigated primarily through selection criteria aimed at investing only with high quality institutions where default is extremely unlikely.

**New Hampshire Public Deposit Investment Pool (NHPDIP):**
The NHPDIP was established, in accordance with RSA 383:22-24, for the purpose of investing funds of the State of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the State of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. NHPDIP's investment detail and audited financial statements can be obtained by visiting www.nhpdip.com or contacting the Client Services Team at 1-800-395-5505.

**Credit Risk:** The risk that the issuer or other counterparty will not fulfill its obligations. The NHPDIP is rated AAAm by Standard & Poor's Rating Services. The AAAm principal stability rating is the highest assigned to principal stability government investment pools.

**Debt Securities:** The State invests in several types of debt securities including corporate and municipal bonds, securities issued by the US Treasury and Government Agencies, fixed income mutual funds and investment pools.

**Credit Risk:** The risk that the issuer will not fulfill its obligations. The State invests in grade securities which are defined as those with a grade B or higher. Obligations of the US Government or obligations backed by the US Government are not considered to have credit risk.

**Interest Rate Risk:** The risk that changes in interest rates will adversely affect the fair value of the State's investments. Interest rate risk is primarily measured and monitored by defining or limiting the maturity of any investment or weighted average maturity of a group of investments. Fixed income mutual funds which consist of shares of funds which hold diversified portfolios of fixed income securities for operating purposes are limited to those with average maturity not to exceed 5 years. Trust and custodial funds manage and monitor interest rate risk primarily through a weighted average maturity approach (WAM). The State's WAM is dollar-weighted in terms of years. The specific target or limits of such maturity and percentage allocations are tailored to meet the investment objective(s) and defined in the investment guidelines associated with those funds.

**Custodial Credit Risk:** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments that are in the possession of an outside party. Open ended mutual funds and external pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The State's selection criteria is aimed at investing only with high quality institutions where default is extremely unlikely.

**Concentration Risk:**
The risk of loss attributed to the magnitude of the State's investment in a single issuer. This risk is applicable to the state's investments in corporate bonds. The State does not have a formal policy relative to operating funds and mitigation of concentration of credit risk. Although not issuer specific, individual investment guidelines for trust and custodial funds include overall asset allocation limits that are consistent with sound investment principles and practices.

**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

| Credit Risk and Interest Rate Risk (expressed in thousands) | | | | | | |
|---|---|---|---|---|---|---|
| | Governmental & Business Type | | | Fiduciary | | |
| Type | Credit Risk | | Interest Rate Risk | Credit Risk | | Interest Rate Risk |
| | Investment Grade | Unrated | WAM in years | Investment Grade | Unrated | WAM in years |
| Corporate Bonds | $905 | | 2.3 | | | |
| US Treasury | 260 | | 2.1 | | | |
| US Government Agencies | 59,603 | | 4.7 | | | |
| Fixed Income Open Ended Mutual Funds | | $4,451 | 5.2 | | $2,699 | 5.3 |
| Municipal Bonds | 83 | | 4.7 | | | |
| Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt) | | 272,434 | 1.0 | | | |

The State's corporate issuers at June 30, 2014 are listed below (expressed in thousands):

| | Governmental & Business Type | |
|---|---|---|
| Issuer | Fair Value | % of Total |
| General Elec Cap Corp | $151 | 16.7% |
| BB&T Corp | 114 | 12.6 |
| National Rural Utils Coop FI | 104 | 11.5 |
| Bank of America Corp | 104 | 11.4 |
| Conocophillips | 102 | 11.3 |
| Oracle Corp | 102 | 11.2 |
| Shell Intl Fin | 101 | 11.2 |
| Cargil Inc | 76 | 8.4 |
| E I Du Pont De Nemours | 51 | 5.7 |
| | $905 | 100.0% |

**MAJOR COMPONENT UNIT (University System of New Hampshire - USNH)**

**Cash and Cash Equivalents**

Cash equivalents represent amounts invested for the purpose of satisfying current operating liabilities and include repurchase agreements, money market funds and other mutual funds. Repurchase agreements are limited to overnight investments only. Cash and cash equivalents at June 30 consisted of the following (expressed in thousands):

| | 2014 |
|---|---|
| Cash & Repurchase agreements | $17,907 |
| Money Market Funds | 62,432 |
| Total Cash & Cash Equivalents | $80,339 |

Included in the cash and repurchase agreements balances at June 30, 2014 were $16,070 in repurchase agreements, and $1,837 in cash. Repurchase agreements were limited to overnight investments only.

**Investments**

Investments include debt proceeds held by others for construction purposes, long-term operating investments, and endowment and similar investments of the campuses and affiliated entities. Investments are monitored by management and the respective governing boards of USNH and its affiliated entities. The carrying amount of these financial instruments approximates fair value.

Short-term investments:

Short-term investments are highly liquid amounts held to support specific current liabilities. The components of operating investments at June 30 are summarized below (expressed in thousands):

| | Balance | Weighted Average Maturity |
|---|---|---|
| Obligations of the U.S. Government | $2,940 | 5-10 years |
| Certificates of Deposit and Money Market Funds | 17,198 | Less than 1 year |
| Other Mutual Funds | 133,976 | 1-5 years |
| Other Accounts | 177 | Less than 1 year |
| Total: | $154,291 | |

Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk. The related mutual funds are not rated.

Endowment and Similar Investments:

Endowment and similar investments are amounts invested primarily with the objective to achieve a long-term rate of return sufficient to fund a portion of annual operating activities and to preserve purchasing power of the investments in perpetuity. The balances consisted of the following as of June 30, 2014 (expressed in thousands):

| | |
|---|---|
| Money Market Funds | $37,694 |
| Other Mutual Funds | 223,644 |
| Fixed Income Securities | 9,572 |
| Commingled Funds | 358,313 |
| Common/Preferred Stocks | 16,297 |
| Other Investments | 21,335 |
| Total Endowment and Similar Investments | $666,855 |

The fair value of investments is based on quoted market prices when available. The estimated fair value of investments without traditional markets (eq. private equity and non-marketable real assets) is based on valuations provided by primary fund managers and reviewed by management. Because these investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, and such differences could be material. Flexible capital investments include various hedge funds holding long/short positions, and investing in special situations, relative value and other strategies. As of June 30, 2014 and 2013, fixed securities have weighted average maturities up to 30 years and carried ratings ranging from AAA to A2. The mutual fund investments held in the endowment pools are not rated.

Uncalled commitments with various private equity and similar alternative investment funds total $15,586,000 for USNH and $9,376,000 for UNHF at June 30, 2014. This compares to $12,848,000 and $4,982,000, respectively, at June 30, 2013.

## 3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2014 (expressed in thousands):

| | Governmental | Business-Type | Total | Major Component Unit |
|---|---|---|---|---|
| **Short Term Receivables** | | | | |
| Taxes: | | | | |
| Meals and Rooms | $33,876 | | $33,876 | |
| Business Taxes | 143,612 | | 143,612 | |
| Tobacco | 12,360 | | 12,360 | |
| Real Estate Transfer | 10,329 | | 10,329 | |
| Interest & Dividends | 21,943 | | 21,943 | |
| Communications | 5,093 | | 5,093 | |
| Utility Property Tax | 17,700 | | 17,700 | |
| Gasoline Road Toll | 10,551 | | 10,551 | |
| Subtotal | 255,464 | | 255,464 | |
| Other Receivables: | | | | |
| Turnpike System | | $5,094 | 5,094 | |
| Liquor Commission | | 8,886 | 8,886 | |
| Lottery Commission | | 3,522 | 3,522 | |
| Unemployment Trust Fund | | 62,735 | 62,735 | |
| Internal Service Fund | 3,746 | | 3,746 | |
| Federal Grants | 254,945 | | 254,945 | $16,017 |
| Local Grants | 26,893 | | 26,893 | |
| Miscellaneous | 67,036 | | 67,036 | 7,573 |
| Short Term Portion Of State Revolving Loan Funds | | 36,126 | 36,126 | |
| Short Term Portion Of Note/Pledge Receivable | | | | 6,379 |
| Subtotal | 352,620 | 116,363 | 468,983 | 29,969 |
| Total Current Receivables (Gross) | 608,084 | 116,363 | 724,447 | 29,969 |
| **Long Term Receivables** | | | | |
| State Revolving Loan Funds | | 312,425 | 312,425 | |
| Miscellaneous | 11,970 | | 11,970 | |
| Note/Pledge Receivable | | | | 30,980 |
| Total Long Term Receivables (Gross) | 11,970 | 312,425 | 324,395 | 30,980 |
| **Allowance for Doubtful Accounts** | (44,763) | (29,171) | (73,934) | (8,597) |
| Total Receivables (Net) | $575,291 | $399,617 | $974,908 | $52,352 |

### State Revolving Loan Fund:

**Primary Government:** Business-type activities includes loans made under a program with the U.S. Environmental Protection Agency to improve cleanliness and potability of the State's water supplies. The State Revolving Loan Fund (SRF) lends funds to municipalities and qualified private water organizations for the purpose of constructing wastewater and drinking water treatment facilities. The loans, based on specific federal criteria, may allow for forgiveness of portions of the principal, which is recognized at such time as the creditor has fulfilled all requirements of entitlement. Amounts recorded as Principal Forgiveness during FY2014, totaled $13.4 million. Loans are repaid over terms ranging from five to twenty years, with fixed rates for interest and administration paid to the State. Repayments are credited to special accounts and then used to lend out more funds to communities and qualified private water organizations. In addition to interest, portions of loan repayment and federal grants are allowed to be allocated to administrative costs.

### Unearned Revenue:

Primary Government: Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2014, unearned revenue reported in governmental funds was $69.1 million.

## 4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2014, was as follows (expressed in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital Assets not being depreciated: | | | | |
| Land & Land Improvements | $523,099 | $21,044 | $(7,518) | $536,625 |
| Construction in Progress | 247,733 | 117,327 | (163,266) | 201,794 |
| Work in Progress Computer Software | 39,874 | 12,907 | (906) | 51,875 |
| Total Capital Assets not being depreciated | 810,706 | 151,278 | (171,690) | 790,294 |
| Other Capital Assets: | | | | |
| Equipment & Computer Software | 302,006 | 13,319 | (16,792) | 298,533 |
| Buildings & Building Improvements | 751,050 | 43,993 | (6,633) | 788,410 |
| Land Improvements | 104,941 | 3,278 | (3) | 108,216 |
| Infrastructure | 3,350,208 | 92,047 | (3,438) | 3,438,817 |
| Total Other Capital Assets | 4,508,205 | 152,637 | (26,866) | 4,633,976 |
| Less accumulated depreciation for: | | | | |
| Equipment & Computer Software | (256,132) | (25,931) | 18,620 | (263,443) |
| Buildings & Building Improvements | (355,110) | (22,241) | 5,709 | (371,642) |
| Land Improvements | (90,353) | (1,943) | | (92,296) |
| Infrastructure | (1,896,866) | (50,805) | 3,438 | (1,944,233) |
| Total Accumulated Depreciation | (2,598,461) | (100,920) | 27,767 | (2,671,614) |
| Other Capital Assets, Net | 1,909,744 | 51,717 | 901 | 1,962,362 |
| Governmental Activities Capital Assets, Net | $2,720,450 | $202,995 | $(170,789) | $2,752,656 |
| **Business-Type Activities:** | | | | |
| **Turnpike:** | | | | |
| Capital Assets not being depreciated: | | | | |
| Land & Land Improvements | $113,692 | $817 | $(104) | $114,405 |
| Construction in Progress | 152,542 | 54,509 | (45,536) | 161,515 |
| Work In Progress Computer Software | | | | |
| Capital Assets not being depreciated | 266,234 | 55,326 | (45,640) | 275,920 |
| Other Capital Assets: | | | | |
| Equipment and Computer Software | 44,151 | 5,082 | (428) | 48,805 |
| Buildings & Building Improvements | 6,715 | | (277) | 6,438 |
| Infrastructure | 851,117 | 40,518 | (897) | 890,738 |
| Total Capital Assets | 1,168,217 | 100,926 | (47,242) | 1,221,901 |
| Less accumulated depreciation for: | | | | |
| Equipment | (35,717) | (4,969) | 481 | (40,205) |
| Buildings & Building Improvements | (2,364) | (203) | 277 | (2,290) |
| Infrastructure | (272,205) | (17,608) | 904 | (288,909) |
| Total Accumulated Depreciation | (310,286) | (22,780) | 1,662 | (331,404) |
| Turnpike Capital Assets, Net | $857,931 | $78,146 | $(45,580) | $890,497 |
| **Liquor:** | | | | |
| Capital Assets not being depreciated: | | | | |
| Land & Land Improvements | $2,080 | | | $2,080 |
| Construction In Progress | | $7,007 | | 7,007 |
| Other Capital Assets: | | | | |
| Equipment | 4,969 | 237 | | 5,206 |
| Buildings & Building Improvements | 26,184 | 711 | | 26,895 |
| Land Improvements | 998 | | | 998 |
| Total Capital Assets | 34,231 | 7,955 | | 42,186 |
| Less accumulated depreciation for: | | | | |
| Equipment | (4,385) | (324) | | (4,709) |
| Buildings & Building Improvements | (12,446) | (323) | | (12,769) |
| Land Improvements | (754) | (323) | | (1,077) |
| Total Accumulated Depreciation | (17,585) | (970) | | (18,555) |
| Liquor Capital Assets, Net | $16,646 | $6,985 | | $23,631 |
| **Lottery Commission:** | | | | |
| Equipment | $606 | $162 | $(143) | $625 |
| Less Accumulated Depreciation for Equipment: | (471) | (39) | 143 | (367) |
| Lottery's Capital Assets, Net | $135 | $123 | | $258 |

Current period depreciation expense was charged to functions of the primary government as follows (expressed in thousands):

| | |
|---|---|
| **Governmental Activities:** | |
| General Government | $12,474 |
| Administration of Justice and Public Protection | 15,671 |
| Resource Protection and Development | 4,851 |
| Transportation | 62,335 |
| Health and Social Services | 4,472 |
| Education | 1,117 |
| Total Governmental Activities Depreciation Expense | $100,920 |

The State possesses certain capital assets that have not been capitalized and depreciated, these assets include works of art and historical treasures such as statues, monuments, paintings and miscellaneous capitol-related artifacts and furnishings. These collections meet all of the following criteria.

A. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.

B. Protected, kept unencumbered, cared for, and preserved.

C. Subject to an organizational policy that required the proceeds from the sales of collection items to be used to acquire other items for the collection.

**Major Component Unit**: The following is a rollforward of Capital Assets for the University System of New Hampshire (expressed in thousands):

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Land and Land Improvements | $12,926 | $461 | | $13,387 |
| Building and Building Improvements | 1,483,862 | 68,617 | $(1,011) | 1,551,468 |
| Equipment | 107,489 | 10,636 | (7,670) | 110,455 |
| Construction in Progress | 61,710 | 45,142 | (69,068) | 37,784 |
| Subtotal | $1,665,987 | $124,856 | $(77,749) | $1,713,094 |
| Less: Accumulated Depreciation | (681,721) | (57,192) | 8,095 | (730,818) |
| Total | $984,266 | $67,664 | $(69,654) | $982,276 |

## 5. LONG TERM-DEBT

### PRIMARY GOVERNMENT

**Bonds Authorized and Unissued:** Bonds authorized and unissued amounted to $621.8 million at June 30, 2014. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

| | |
|---|---|
| Capital Projects Fund | $224.3 |
| Federal Highway/Garvees | 295.0 |
| Turnpike System | 102.5 |
| Total | $621.8 |

**Turnpike System:** The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Treasurer with the approval of the Governor and Executive Council to issue up to $766 million of bonds to support this project. The State has issued $655 million of revenue bonds for these projects.

**Advance Refunding:** The following is a summary of general obligation bonds and revenue bonds defeased by the primary government. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements (expressed in thousands):

| Date of Advance Refunding | Amount Outstanding at June 30, 2014 |
|---|---|
| Governmental Fund Types (General Obligation Bonds): | |
| April 8, 2010 | $124,175 |

**Bond Issues:**

On August 15, 2013, the State issued a $5.2 million general obligation capital improvement bond. The bond was sold via private placement to the New Hampshire Municipal Bond Bank. The proceeds are being used to finance various capital projects of the State.

On December 5, 2013 the State issued two series of general obligation capital improvement bonds through back-to-back competitive sales. The state sold $59.1 million of federally tax-exempt bonds (2013 Series B) as well as $19.0 million of federally taxable bonds (2013 Series C). Proceeds from the Series B issue will be used for the sole purpose of financing various capital projects of the State. Proceeds from the Series C issue will finance state match funding for State Revolving Fund Loan programs as authorized in New Hampshire Laws of 2011, Chapter 253:1,VI, A and B. The Series B bonds mature over twenty years, carry coupons ranging from 4% to 5% , and sold with an overall total interest cost to the State of 3.10%. The Series C bonds mature over ten years, carry coupons ranging from 0.7% to 3.4% , and sold with an overall total interest cost to the State of 2.29%.

**Changes in Long-Term Liabilities:** The following is a summary of the changes in the long-term liabilities as reported by the primary government during the fiscal year (expressed in thousands):

| Governmental Activities | Beginning Balance | Accretion | Increases | Decreases | Ending Balance | Current | Long-Term |
|---|---|---|---|---|---|---|---|
| General Obligation Bonds Payable* | $1,010,767 | $1,001 | $69,829 | $94,941 | $986,656 | $92,541 | $894,115 |
| Federal Highway Grant Anticipation Bonds | 192,902 | | | 13,158 | 179,744 | 11,290 | 168,454 |
| Compensated Absences | 78,225 | | 5,766 | | 83,991 | 22,679 | 61,312 |
| Claims Payable | 38,730 | | 247,450 | 244,645 | 41,535 | 25,105 | 16,430 |
| Other Postemployment Benefits | 765,699 | | 173,595 | 80,925 | 858,369 | | 858,369 |
| Pollution Remediation Obligation | 36,348 | | 8,485 | 6,818 | 38,015 | 939 | 37,076 |
| Capital Lease | 2,402 | | 128 | 586 | 1,944 | 601 | 1,343 |
| Advance Construction Commitments | 3,280 | | 2,312 | 3,280 | 2,312 | 2,312 | |
| Legal & Other Settlement Contingency | 13,966 | | 5,079 | 12,180 | 6,865 | 6,663 | 202 |
| Total Governmental | 2,142,319 | 1,001 | 512,644 | 456,533 | 2,199,431 | 162,130 | 2,037,301 |
| **Business-Type Activities** | | | | | | | |
| ***Turnpike System*** | | | | | | | |
| Revenue Bonds* | 446,369 | | | 19,713 | 426,656 | 22,875 | 403,781 |
| Note Payable | 28,199 | | | 14,020 | 14,179 | 13,765 | 414 |
| Pollution Remediation Obligation | 2,789 | | 191 | 53 | 2,927 | 70 | 2,857 |
| Claims & Compensated Absences Payable | 3,329 | | | 339 | 2,990 | 755 | 2,235 |
| Total | 480,686 | | 191 | 34,125 | 446,752 | 37,465 | 409,287 |
| ***Liquor Commission*** | | | | | | | |
| General Obligation Bonds Payable | 12,347 | | | 756 | 11,591 | 755 | 10,836 |
| Capital Lease | 412 | | | 15 | 397 | 18 | 379 |
| Claims & Compensated Absences Payable | 4,237 | | 949 | 790 | 4,396 | 1,041 | 3,355 |
| Total | 16,996 | | 949 | 1,560 | 16,384 | 1,814 | 14,570 |
| ***Lottery Commission*** | | | | | | | |
| Claims & Compensated Absences Payable | 588 | | 2 | | 590 | 156 | 434 |
| Total | 588 | | 2 | | 590 | 156 | 434 |
| ***State Revolving Fund Programs*** | | | | | | | |
| General Obligation Bonds Payable | | | 18,965 | 2,280 | 16,685 | 2,275 | 14,410 |
| Total | | | 18,965 | 2,280 | 16,685 | 2,275 | 14,410 |
| Total Business-Type | $498,270 | | $20,107 | $37,965 | $480,411 | $41,710 | $438,701 |

* Note - Beginning balances for General Obligation and Turpike Revenue Bonds Payable are restated for GASB 65 implemenation. Losses on Refunding (General Obligation - $11.8 million and Turnpike Revenue - $3.7) were reclassified as Deferred Outflows of Resources

The General Fund and Highway Fund are primarily responsible for financing governmental activities long-term liabilities other than debt.

**Bond Anticipation Notes:** As of June 30, 2014, the State had no bond anticipation notes outstanding.

**Capital Appreciation Bonds:** Six of the State's general obligation capital improvement bonds issued since November 1991 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. The initial three issues in this group have matured leaving only three capital appreciation bonds outstanding. At June 30, 2014, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $157.2 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

**Pollution Remediation Obligations:** Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are six sites in various stages of cleanup, from initial assessment to cleanup activities. In addition, the State has other sites for which it is responsible for cleanup and monitoring, including underground fuel storage facilities. Per GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution liabilities of $38 million and $2.9 million were reported for governmental activities and business-type activities, respectively, at June 30, 2014. These liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

**Debt Maturity:** All bonds issued by the State, except for Turnpike revenue bonds as well as Federal Highway Grant Anticipation Bonds, are general obligation bonds, which are backed by the full faith and credit of the State. Interest rates on these issues range from 2.0% to 7.2%. Debt service payments on "self-liquidating" debt are funded by reimbursements from component units for debt issued by the state on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities including expected federal interest subsidies described earlier are as follows (expressed in thousands):

| | SOURCE OF PRINCIPAL PAYMENTS | | | | | | | | | DEBT SERVICE | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Governmental Activities | | | | | Business-Type Activities | | | | TOTAL ALL FUNDS | | | |
| | | | | | | Liquor Commission | SRF Funds | Turnpike System | | | | | |
| Payable June 30, | General Fund | Highway Fund | Federal Highway (GARVEE) | Self Liquidating | Total | General Obligations | General Obligations | Revenue | Note Payable | Principal | Interest | Less: Federal Interest Subsidy | Net Total |
| 2015 | $72,013 | $9,286 | $11,290 | $11,242 | $103,831 | $755 | $2,275 | $22,875 | $13,765 | $143,501 | $68,661 | $6,803 | $205,359 |
| 2016 | 67,712 | 9,025 | 11,800 | 11,192 | 99,729 | 756 | 2,275 | 19,455 | 414 | 122,629 | 63,252 | 6,803 | 179,078 |
| 2017 | 65,075 | 8,960 | 12,390 | 11,081 | 97,506 | 756 | 2,275 | 27,855 | | 128,392 | 57,975 | 6,803 | 179,564 |
| 2018 | 61,731 | 8,854 | 12,985 | 10,543 | 94,113 | 756 | 2,275 | 15,615 | | 112,759 | 52,188 | 6,767 | 158,180 |
| 2019 | 60,960 | 8,149 | 13,620 | 10,549 | 93,278 | 756 | 1,520 | 19,705 | | 115,259 | 46,551 | 6,652 | 155,158 |
| 2020-2024 | 225,606 | 30,400 | 73,635 | 36,695 | 366,336 | 3,480 | 6,065 | 84,795 | | 460,676 | 161,318 | 29,260 | 592,734 |
| 2025-2029 | 108,437 | 17,312 | 31,465 | 27,889 | 185,103 | 2,609 | | 66,010 | | 253,722 | 76,480 | 15,163 | 315,039 |
| 2030-2034 | 42,938 | 1,822 | | 4,047 | 48,807 | 1,723 | | 54,785 | | 105,315 | 34,526 | 6,589 | 133,252 |
| 2035-2039 | | | | | | | | 62,070 | | 62,070 | 15,607 | 2,909 | 74,768 |
| 2040-2044 | | | | | | | | 32,075 | | 32,075 | 2,193 | 88 | 34,180 |
| Subtotal | $704,472 | $93,808 | $167,185 | $123,238 | $1,088,703 | $11,591 | $16,685 | $405,240 | $14,179 | $1,536,398 | $578,751 | $87,837 | $2,027,312 |
| Unamortized (Discount) / Premium | 65,249 | (52) | 12,559 | (59) | 77,697 | | | 21,416 | | 99,113 | | | 99,113 |
| Total | $769,721 | $93,756 | $179,744 | $123,179 | $1,166,400 | $11,591 | $16,685 | $426,656 | $14,179 | $1,635,511 | $578,751 | $87,837 | $2,126,425 |

**Revenue Bond Resolutions:** Management believes the Turnpike System has complied with all of its material financial bond covenants as set forth in the resolutions.

## MAJOR COMPONENT UNIT

**Changes in Long-Term Liabilities:** The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of $417.9 million; capital lease obligations of $12.6 million; deferred obligations interest swaps of $29.8 million; accrued employee benefits and compensated absences of $43.7 million; other postemployment benefits of $51.5 million; and other liabilities of $19.5 million.

| | Beginning Balance | Increases | Decreases | Ending Balance | Current | Long-Term |
|---|---|---|---|---|---|---|
| University System of NH | $583,844 | $49,890 | $58,692 | $575,042 | $63,798 | $511,244 |

| | UNIVERSITY SYSTEM OF N.H. | | |
|---|---|---|---|
| Payable June 30, | Principal | Interest | Total |
| 2015 | $49,922 | $18,315 | $68,237 |
| 2016 | 12,983 | 17,265 | 30,248 |
| 2017 | 38,287 | 16,907 | 55,194 |
| 2018 | 13,942 | 14,985 | 28,927 |
| 2019 | 60,989 | 14,585 | 75,574 |
| 2020-2024 | 134,102 | 46,537 | 180,639 |
| 2025-2029 | 47,429 | 21,966 | 69,395 |
| 2030-2034 | 49,685 | 11,253 | 60,938 |
| 2035-2037 | 17,300 | 1,470 | 18,770 |
| Subtotal | 424,639 | 163,283 | 587,922 |
| Unamortized Discounts/Premium, net | 5,930 | | 5,930 |
| Total | $430,569 | $163,283 | $593,852 |

**Debt Maturity:** The table on the left is a summary of the annual principal payments and total debt service relating to the debt of the University System of New Hampshire and includes revenue bonds and capital leases (expressed in thousands):

## 6. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The components of deferred outflows of resources in the government-wide financial statements related to the primary government at June 30, 2014 are as follows (expressed in thousands):

| | Governmental Activities | Business-type Activities | Primary Government |
|---|---|---|---|
| **Deferred outflows of resources:** | | | |
| Loss on refunding of debt | $10,540 | $3,009 | $13,549 |
| **Total deferred outflows of resources** | $10,540 | $3,009 | $13,549 |

The components of deferred inflows of resources related to the governmental funds at June 30, 2014 are as follows (expressed in thousands):

**Governmental Funds:**

| | General | Highway | Education | Total Governmental Funds |
|---|---|---|---|---|
| **Deferred inflows of resources:** | | | | |
| Taxes considered unavailable | $90,122 | | $52,800 | $142,922 |
| Local assistance | 10,322 | | | 10,322 |
| Note receivable from Turnpike System | | $14,179 | | 14,179 |
| Other loans | 4,996 | | | 4,996 |
| Indigent representation advances | 3,570 | | | 3,570 |
| Banking assessments | 1,100 | | | 1,100 |
| Miscellaneous fees & fines | 526 | 1,936 | | 2,462 |
| Federal and municipal billings | 463 | 1,436 | | 1,899 |
| **Total deferred inflows of resources** | $111,099 | $17,551 | $52,800 | $181,450 |

**MAJOR COMPONENT UNIT**

The University System of New Hampshire's deferred outflow of resources are as follows (expressed in thousands):

| | |
|---|---|
| Accumulated decrease in fair value of hedging derivatives | $29,828 |
| Loss on debt refinancings | 5,573 |
| **Total deferred outflows of resources** | $35,401 |

## 7. RISK MANAGEMENT AND INSURANCE

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters.

**Principle of self-insurance**

As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that provisions of law require the purchase of commercial insurance or a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public. In such instances, the State may elect to purchase commercial insurance. There are approximately 26 such commercial insurance programs in effect. These include, but are not exclusive to, State owned real property insurance, fleet automobile liability, inland marine insurance, foster parent liability, ski area liability for Cannon Mountain, and a fidelity and faithful performance bond. In general, claims settled in the past three years under the insurance programs have not exceeded commercial insurance coverage; however, two currently outstanding claims under the fleet automobile policies have the potential to exceed the insurance coverage. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs; however, the State's exposure per claimant is limited by law to a total of $475 thousand pursuant to RSA 541-B:14 and the State's current fleet policy coverage is $275 thousand per claimant.

**Employee and Retiree Health Benefits**

During fiscal year 2004, the State established an Employee Benefit Risk Management Fund, an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. Currently, the State retains all of the risk associated with these benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve. In addition, state law prescribes the retention of a reserve comprising 5% of annual claims and administrative costs, for unexpected costs. For FY 2014, this reserve equaled $16.2 million for the Fund. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and future estimated loss experience. The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

**Workers Compensation**

Since February 2003, the State has been self-insured for its workers compensation exposures, retaining all of the risk associated with workers compensation claims. The state utilizes an actuarial study that provides an annual estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trends and other claim projections based upon the state's historical loss experience. According to the FY 14 actuarial study, the Selected Ultimate Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends and future estimated loss experience, is $7.5 million as of June 30, 2014.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2013 and 2014 (expressed in thousands):

| Governmental Activities | 6/30/2012 Balance | Increases | Decreases | 6/30/2013 Balance | Increases | Decreases | 6/30/2014 Balance | Current | Long-Term |
|---|---|---|---|---|---|---|---|---|---|
| Workers Compensation Claims Payable | $20,906 | $6,657 | $5,881 | $21,682 | $5,747 | $5,570 | $21,859 | $5,429 | $16,430 |
| Health Claims Payable* | 17,383 | 238,990 | 239,325 | 17,048 | 241,703 | 239,075 | 19,676 | 19,676 | |
| Total | 38,289 | 245,647 | 245,206 | 38,730 | 247,450 | 244,645 | 41,535 | 25,105 | 16,430 |
| **Business-Type Activities** | | | | | | | | | |
| ***Turnpike System*** | | | | | | | | | |
| Workers Compensation Claims Payable | 1,989 | 678 | 463 | 2,204 | 222 | 484 | 1,942 | 472 | 1,470 |
| Total | 1,989 | 678 | 463 | 2,204 | 222 | 484 | 1,942 | 472 | 1,470 |
| ***Liquor Commission*** | | | | | | | | | |
| Workers Compensation Claims Payable | 1,859 | 1,437 | 827 | 2,469 | 460 | 518 | 2,411 | 505 | 1,906 |
| Total | 1,859 | 1,437 | 827 | 2,469 | 460 | 518 | 2,411 | 505 | 1,906 |
| ***Lottery Commission*** | | | | | | | | | |
| Workers Compensation Claims Payable | 16 | 6 | 1 | 21 | 6 | | 27 | | 27 |
| Total | 16 | 6 | 1 | 21 | 6 | | 27 | | 27 |
| Total Business-Type | $3,864 | $2,121 | $1,291 | $4,694 | $688 | $1,002 | $4,380 | $977 | $3,403 |

* Health Claims Payable is recorded in the Internal Service Fund

## 8. INTERFUND RECEIVABLES AND PAYABLES

Due From or To Other Funds for the primary government on the fund financial statements represent amounts resulting from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made, and consist of the following as of June 30, 2014 (expressed in thousands):

| RECEIVABLES / DUE FROM | AMOUNT | PAYABLES / DUE TO | AMOUNT |
|---|---|---|---|
| Highway Fund | $70 | General Fund | $70 |
| Highway Fund | 1,123 | Turnpike System | 1,123 |
| General Fund | 327 | Liquor Commission | 327 |
| General Fund | 3,633 | Unemployment Compensation | 3,633 |
| General Fund | 9,343 | Education Fund | 9,343 |
| General Fund | 60 | Turnpike System | 60 |
| General Fund | 610 | Highway Fund | 610 |
| Non-Major Fund | 2,750 | General Fund | 2,750 |
| Non-Major Fund | 1,576 | Liquor Commission | 1,576 |
| Lottery Commission | 375 | Education Fund | 375 |
| Lottery Commission | 415 | Liquor Commission | 415 |
| Total | $20,282 | Total | $20,282 |

The net due from or to other funds for the primary government has been reported as "internal balances" in the government-wide financial statements. The governmental activities receivable of $6.3 million from business-type activities represents the "internal balances" amount on the statement of net position. The $12.8 million between governmental funds, and the $0.4 million between enterprise funds has been eliminated on the government-wide financial statements.

**Internal Note Receivable:** At June 30, 2014, internal note receivable (payable) balances consist of $14.2 million payable to the Highway Fund from the Turnpike System. The balance has been offset by a corresponding amount of deferred inflows of resources in the Highway Fund financial statements. The note relates to the conveyance of a portion of Interstate 95 in Portsmouth from the Highway Fund to the Turnpike Fund.

## 9. INTERFUND TRANSFERS

Interfund transfers during the current fiscal year were as follows (expressed in thousands):

| | Transferred To | | | | | |
|---|---|---|---|---|---|---|
| Transferred From | General Fund | Education Fund | Non-Major Funds | Total Governmental Fund | SRF Fund | Total |
| **Governmental Funds** | | | | | | |
| General Fund | | $102,041 | $727 | $102,768 | $7,878 | $110,646 |
| Highway Fund | $768 | | 1,346 | 2,114 | | 2,114 |
| Non-Major Funds | | | | | | |
| Total Governmental Funds | * 768 | * 102,041 | * 2,073 | * 104,882 | 7,878 | 112,760 |
| **Proprietary - Enterprise Funds** | | | | | | |
| Liquor Commission | 148,618 | | | 148,618 | | 148,618 |
| Lottery Commission | | 75,414 | | 75,414 | | 75,414 |
| Total Proprietary - Enterprise Funds | $148,618 | $75,414 | | $224,032 | | $224,032 |

* These amounts have been eliminated within governmental activities on the government-wide financial statements

The following transfers represent sources of funding identified through the State's operating budget:

- Transfer of Lottery Commission profits of $75.4 million to fund education
- Transfer of Liquor Commission profits of $148.6 million to general fund for government operations
- $102.0 million transfer from the general fund to eliminate education fund deficit
- $7.9 million transfer from general fund to SRF, representing the state match for the revolving loan programs

Pursuant to RSA 260:61, $0.6 million transfer from Highway Fund to Fish and Game Fund for the Bureau of Off Highway Recreational Vehicle (BOHRV) Grant.

Pursuant to RSA 260:60, $1.5 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General and Fish & Game funds.

## 10. CONTRACTUAL COMMITMENTS

**Contractual Commitments**: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $84.4 million at June 30, 2014. This represents total obligations of $278.1 million less $193.7 million in estimated federal aid.

**Encumbrances**: Encumbrances by fund for the State at June 30, 2014, excluding contractual commitments noted above, were as follows:

Expressed in Millions

| | |
|---|---|
| General Fund | $209.4 |
| Highway Fund | 17.9 |
| Non-Major Governmental Funds | 78.4 |
| | $305.7 |

## 11. EMPLOYEE BENEFIT PLANS

### NEW HAMPSHIRE RETIREMENT SYSTEM

**Plan Description:** The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time State employees, public school teachers and administrators, permanent firefighters, and police officers within the State of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan 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 its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) 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 (1.667%) of average final compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested as of January 1, 2012 and five years for members not vested as of January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.515%) of AFC multiplied by years of creditable service.

Members in service with 10 or more years creditable service who are between age 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 a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by ¼ of one percent for each month prior to age 52.5 that the member receives the allowance.

Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are subject to graduated transition provisions for years of service required for regular service retirement, the minimum age for service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

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.

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

The New Hampshire Retirement System issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at http://www.nhrs.org.

**Funding Policy:** The Plan is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group I members contributed 7.0% of gross earnings. Group II firefighter members contributed 11.80% of gross earnings and group II police officers contributed 11.55% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the entry age normal funding method and are expressed as a percentage of gross payroll.

The State's required and actual contributions to the plan for the years ending June 30, 2014, 2013, and 2012 were $75.0 million, $61.6 million, and $69.2 million, respectively. Included in these contributions for FY 2014, FY 2013 and FY 2012 is an amount for other postemployment benefits of $10.4 million, $11.1 million, and $6.6 million, respectively. The State's contributions for the fiscal year ended June 30, 2014 increased over the amounts contributed for the fiscal years ended June 30, 2013 and 2012, primarily due to increased contribution rates.

As of June 30, 2013, the date of the most recent actuarial valuation, the net position held in trust to pay pension benefits, at actuarial value, was reported by the New Hampshire Retirement System to be $6,070.7 million. The total pension liability at June 30, 2013 using the entry age normal actuarial cost method was $10,708.8 million, resulting in a funded ratio of 56.7% and projected pension liability in excess of assets of $4,638.1 million.

### 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. These benefits include group hospitalization, hospital medical care, surgical care and other medical 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 on or after July 1, 2003 to have 20 years of state service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1,

2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer group health plan (Plan), which is the state's self-insurance internal service fund implemented in October 2003 for active state employees and retirees. The Plan funds the cost of medical claims by charging actuarially developed working rates to State agencies for participating employees, retirees and eligible spouses. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees, which totaled approximately $12.3 million for the fiscal year ended June 30, 2014.

GASB Statement 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation and will be required to be reported in the financial statements.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of 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 thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2014 (dollar amounts in thousands):

| | |
|---|---|
| Annual Required Contribution | $139,139 |
| Interest on net OPEB obligation | 34,456 |
| Adjustment to annual required contribution | (28,278) |
| Annual OPEB cost | 145,317 |
| Contributions made (pay-as-you-go) | (52,647) |
| Increase in Net OPEB Obligation | 92,670 |
| Net OPEB Obligation - Beginning of Year | 765,699 |
| **Net OPEB Obligation - End of Year** | **$858,369** |

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014, 2013 and 2012 were as follows (expressed in thousands):

| Fiscal Year Ended | Annual OPEB Cost | Actual Contributions (pay-as-you-go) | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 06/30/14 | $145,317 | $52,647 | 36.23% | $858,369 |
| 06/30/13 | $137,812 | $51,332 | 37.25% | $765,699 |
| 06/30/12 | $171,912 | $50,997 | 29.66% | $679,219 |

As of December 31, 2012, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was $1,857 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,857 million. The covered payroll (annual payroll of active employees covered by the plan) was $518.7 million during fiscal year 2013 and the ratio of the UAAL to the covered payroll was 358 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, a 3.75 percent inflation rate and projected salary increases of 3.75 percent per annum. The projected medical cost trend rate for under age 65 retirees is 6 percent initially, decreasing at .25% for 4 years to an ultimate level of 5%. The projected medical cost trend rate for age 65 and over retirees is 5%. The drug cost trend rate is 6 percent initially, decreasing at 0.25% for 4 years to an ultimate level of 5%. The UAAL is being amortized using level percent of pay, open amortization method. The remaining amortization period at December 31, 2012, was thirty years.

**JUDICIAL RETIREMENT PLAN**

**Plan Description:** The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 pursuant to RSA 100-C:2 and is intended for all time to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, district court or probate court judges employed within the State. Information and financial reports of the New Hampshire Judicial Retirement Plan can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301.

The Plan is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System, but certain daily administrative functions of the plan have been delegated by the Board to the New Hampshire Retirement System such as retirement request processing, member record maintenance and serving as the Plan's information center. The Plan has one employee. All employer and member contributions are deposited into separate trust funds that are managed and controlled by the Board of Trustees of the Plan. Any member of the Plan who has at least 15 years of creditable service and who is at least 60 years old is entitled to retirement benefits equal to 70% of the member's final year's salary.

Any member of the Plan who has at least 10 years of creditable service and who is at least 65 years old is entitled to retirement benefits equal to 75% of the member's final year's salary. Any member who has at least 7 years of creditable service and who is at least 70 years old is entitled to retirement benefits equal to 45% of the member's final year's salary.

A member who is at least 70 years old shall be granted an additional 10% over the 45% level for each year of creditable service that a member has over 7 years. A member who is at least 60 years old with at least 15 years of service is entitled to 70% of the member's final year's salary, plus an additional 1% for each year of additional service in excess of 15 years.

However, under no circumstances shall any retirement benefit exceed 75% of the member's final year's salary. For purposes of determining the above benefit, the member's final salary is equal to compensation earned in the prior 12-month period in which the employee was a member of the plan.

**Funding Policy:** The Plan is financed by contributions from the members and the State. Pursuant to Chapter 311, Laws of 2003, on January 19, 2005, the State issued $42.8 million of general obligation bonds in order to fund the Plan's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the Plan until they become eligible for a service retirement equal to 75% of their final year's salary. The State was required to and contributed 27.42% of the members' salary through June 30, 2011. Effective July 1, 2011, the State was required to and contributed 41% of the members' salary. Effective July 1, 2013 the State was required to and contributed 64.5% of the member's salary.

As of January 1, 2014, the date of the most recent actuarial valuation, the net assets available to pay retirement benefits, at actuarial value, were reported by the Plan to be $41.1 million. The total retirement benefit liability using the entry age normal actuarial cost method was $80.7 million, resulting in a funded ratio of 51% and projected liability in excess of assets of $39.6 million. Annual covered payroll was $7.0 million resulting in an unfunded actuarial liability of 566% of covered payroll. Actuarial assumptions used in the valuation include the 1994 Group Annuity Mortality Table, an investment return of 7.0% and salary growth of 2.25% for the next two years, and 3.0% thereafter, and the unfunded actuarial liability is amortized as a level dollar over a decreasing number of years. As of January 1, 2010, the amortization period was extended to 30 years to reflect an amendment to RSA 100-C13. As a closed amortization period is being used, 26 years remain as of January 1, 2014. The actuarial value of plan assets is calculated by spreading recognition of gains and losses over five years.

Due to the settlement of the lawsuit, *Raymond Cloutier v. State of New Hampshire*, 1 active and 5 retired participants elected to receive their benefits under the pre-December 31, 2004 plan provisions. The actuarial impact of this change was to increase the Unfunded Accrued Liability by about $1.4 million and to increase the Annual Required Contribution by approximately $0.1 million.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The annual required contribution (ARC) and the amounts contributed to the plan are as follows (dollar amounts in thousands):

| Fiscal Year Ended December 31, | Annual Required Contribution (ARC) | Actual Contributions | Percentage Contributed |
|---|---|---|---|
| 2013 | $4,414 | $4,414 | 100.00% |
| 2012 | 2,786 | 2,786 | 100.00% |
| 2011 | 2,356 | 2,356 | 100.00% |

## 12. CONTINGENT AND LIMITED LIABILITIES

**PRIMARY GOVERNMENT**

**Nonexchange Financial Guarantees:** The State of New Hampshire extends nonexchange financial guarantees to municipalities, political subdivisions, and certain Authorities indefinitely within certain statutory limits. Guarantees may include, but not limited to, bonds sold by municipalities and school districts, first mortgages on industrial and recreational property, as well as airport and development projects. Arrangements for the State to recover payments is described in the enabling statutes or in agreements authorized by the Governor and Executive Council. Based on the review of qualitative factors and available historical data relative to the financial position of guaranteed entities, the State determined that it is less than likely the State would have to make payments related to the nonexchange guarantees extended. The following table includes the composition of the State's $111.7 million of financial guarantees outstanding and statutory limits as of June 30, 2014 (expressed in thousands):

| | RSA | Guarantee Limit | Remaining Capacity | June 30, 2014 Principal | Interest | Total |
|---|---|---|---|---|---|---|
| *Municipalities and Political Subdivisions* | | | | | | |
| Water Pollution Bonds | 485-A:7 | $50,000 | $48,719 | $1,160 | $121 | $1,281 |
| School Construction Bonds | 195-C:2 | 95,000 | 53,308 | 29,775 | 11,917 | 41,692 |
| Solid Waste Bonds | 149-M:31 | 10,000 | 10,000 | | | |
| Super Fund Site Cleanup Bonds | 33:3-f | 20,000 | * 20,000 | | | |
| *Related Organizations* | | | | | | |
| Business Finance Authority (BFA) - General Obligation | 162-A:17 | 25,000 | ** | 20,000 | 4,517 | 24,517 |
| Business Finance Authority (BFA) - Additional State Guarantee | 162-I:9-b | 50,000 | ** | 42,243 | 479 | 42,722 |
| Business Finance Authority (BFA) - Unified Contingent Credit Limit | 162-A:22 | 95,000 | * 32,757 | 62,243 | 4,996 | 67,239 |
| Pease Development Authority - Guarantees or Loans | 12-G:31 | 70,000 | 13,910 | 1,570 | | 1,570 |
| Pease Development Authority - Guarantees for Development | 12-G:33 | 35,000 | 35,000 | | | |
| Housing Finance Authority - Child Care Loans | 204-C:79 | 300 | 300 | | | |
| Totals | | $375,300 | $213,994 | $94,748 | $17,034 | $111,782 |

* Plus Interest

** Plus interest (guaranteed limit under this section is included in and limited by RSA 162-A:22).

**Federal Grants:** The State receives federal grants, which are subject to review and audit by the grantor agencies. Access to these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from audits may become the liability of the State. Although the amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, the State is aware of federal-reimbursed costs as of June 30, 2013 which were questioned by the State's auditors and are still being resolved by the respective State and Federal Agencies. Note: Questioned costs as of June 30, 2013 are outlined in the Single Audit of Federal Financial Assistance Programs Report issued in March 2014.

Although the fiscal year 2013 Single Audit of Federal Financial Assistance Programs identified minimal questioned costs, approximately $8.7 million of questioned costs related to fiscal years 2010-2012 remained unresolved. New Hampshire Hospital (NHH) had questioned costs of $8.4 million in 2011 related to disproportionate share hospital cost recoupment. The ultimate liability or additional federal revenue is dependent on language in federal Medicaid rules which were issued on December 1, 2014. The ruling is currently under review by the Department of Health and Human Services and any financial implications are indeterminable at this time. In the event that an unfavorable determination is made regarding the NHH 2011 questioned costs, additional costs in years subsequent to 2011 may also be questioned. Additional compliance findings (material weaknesses and significant deficiencies) which did not result in questioned costs were also identified during the audit and can be found within the audit report located on the State's website at http://admin.state.nh.us/accounting/FY%2013/Single%20Audit%20Report.pdf.

**Requests for Medicaid Enhancement Tax Refund/Credit:**

Since June of 2011, the Department of Revenue Administration (DRA) has received requests for refund or credit of the Medicaid Enhancement Tax (MET) from 20 of the 28 hospital taxpayers for prior fiscal periods ending June 30, 2008 through June 30, 2013, totaling $109 million, and received additional refund requests from all hospitals for the fiscal year 2014 receipts of approximately $165.6 million. DRA denied $20 million of those requests related to fiscal year 2008 as being outside the statute of limitations as well as denied $7 million in requests related to fiscal year 2012. Additionally, the DRA issued tax notices for fiscal year 2012 for $13 million.

During fiscal year 2013, the DRA reached agreements with over half of the hospitals to resolve all outstanding issues between them relating to approximately $67.6 million of the $89 million in MET refund and credit requests and $11 million of the $13 million in tax notices for fiscal years 2009 through 2013 leaving $14.4 million in refund requests and $2 million in tax notices outstanding as of June 30, 2013. As a result of the settlement agreements reached in fiscal year 2013 for fiscal years 2009 through 2013, the State received approximately $5.4 million of MET revenue and granted $3.6 million in credits to be applied in fiscal year 2014 and $3.6 million in credits to be applied in fiscal year 2015 (see note 14).

In fiscal year 2014, that State reached an agreement with 25 New Hampshire hospitals' outstanding challenges to (1) the constitutionality of the Medicaid Enhancement Tax, (2) the majority of the claims that the hospitals had filed for refunds on their 2014 tax payments and what remained outstanding related to fiscal years 2013 and prior, and (3) Medicaid rate reductions made in previous years. The legislature approved this agreement and Senate Bill 369 was signed into law on June 30, 2014 (Chapter 158, Laws 2014). Only one hospital did not participate in the agreement (See Note 14 Catholic Medical Center et al v. Department of Revenue). Under the agreement, the state would agree to provide "disproportionate share" (DSH) payments to critical and noncritical access hospitals. Critical access hospitals would be reimbursed 75 percent of their uncompensated care costs, and noncritical care access hospitals would receive no more than 50 percent of their individual uncompensated care costs in Fiscal Years 2016 and 2017. The state's obligation would be capped at $224 million in total payments that are shared with the federal government. Based on aggregate uncompensated care estimates, the state's obligation is expected to range between approximately $45 and $95 million for the 2016-2017 biennium, depending on actual levels of uncompensated care. In Fiscal Years 2018 and 2019, critical access hospitals would continue to be reimbursed 75 percent of their uncompensated care costs. Other acute care hospitals would receive no more than 55 percent of their uncompensated care costs, up to a cap of $241 million. The state's obligation for FY 18 and 19 is expected to range between approximately $35 million and $80 million, as compared to FY 15. The hospitals are guaranteed at least $175 million a year in DSH payments. Payments to hospitals would be contingent on Medicaid Enhancement Tax revenues reaching agreed upon estimates. If revenues fall short of the estimates, state payments to the disproportionate share pool for noncritical access hospitals will be reduced. The State agrees to put all money raised from the Medicaid Enhancement Tax in a trust fund and use those funds exclusively to support Medicaid services, including funding DSH payments, hospital provider payments, and other Medicaid costs. The agreement also eliminates certain freestanding rehabilitation hospitals from the Medicaid Enhancement Tax base, and also precludes them from receiving uncompensated care payments. Through the agreement, the participating hospitals agreed they will not challenge the MET on constitutional grounds as long as the terms of the agreement are met. Additionally, the participating hospitals agreed to drop their claims for tax refunds in 2014 and 15 and drop their participation – and claims – in lawsuits challenging the constitutionality and application of the Medicaid Enhancement Tax. They also agreed to drop claims in state and federal court cases challenging rate reductions made beginning in 2008. If future legislatures choose to cut funding, the hospitals retain the right to re-launch their litigation and the state retains all of its defenses.

As a result of the settlements reached in fiscal year 2014, the remaining refund requests outstanding as of June 30, 2014 from fiscal years 2014 and prior are deemed to be immaterial.

**Primary Government Payroll Matters:** As a result of converting to a new consolidated payroll system, the State has become aware of certain potential compliance concerns with Federal wage and hour regulations associated with the State's payroll processing procedures. An estimate of potential liability for the State related to these circumstances cannot be determined at this time.

## 13. LEASE COMMITMENTS

### OPERATING LEASES

The State has lease commitments for equipment and space requirements which are accounted for as operating leases. Rental expenditures for fiscal year 2014 for governmental activities and business-type activities were approximately $25.0 million and $5.4 million, respectively. The leases for space, which are subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. The following is a schedule of future minimum space rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2014 (expressed in thousands):

| Payable June 30, | Governmental Activities | Business-Type Activities |
|---|---|---|
| 2015 | $7,092 | $4,436 |
| 2016 | 4,025 | 4,091 |
| 2017 | 3,669 | 4,048 |
| 2018 | 2,549 | 4,100 |
| 2019 | 1,691 | 3,691 |
| 2020-2024 | 5,280 | 3,709 |
| 2025-2029 | 3,128 | |
| 2030-2034 | | |
| Total | $27,434 | $24,075 |

### CAPITAL LEASES

The State has entered into lease agreements as lessee for financing the acquisition of buildings and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The future minimum lease payments and the net present value of those payments at June 30, 2014, are as follows (expressed in thousands):

| Payable June 30, | Governmental Activities | Business-Type Activities |
|---|---|---|
| 2015 | $663 | $113 |
| 2016 | 565 | 115 |
| 2017 | 218 | 125 |
| 2018 | 209 | 125 |
| 2019 | 152 | 125 |
| 2020-2024 | 417 | 229 |
| Total | 2,224 | 832 |
| Amount Representing Interest | (280) | (435) |
| Present Value of Minimum Lease Payments | $1,944 | $397 |

The assets aquired through capital leases and included in capital assets at June 30, 2014 include the following (expressed in thousands):

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Equipment | $985 | |
| Buildings & Building Improvements | 4,951 | $832 |
| Total | 5,936 | 832 |
| Less: Accumulated Depreciation | (4,522) | (107) |
| Net | $1,414 | $725 |

## 14. LITIGATION

***Department of Health and Human Services (DHHS)***

***Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments***

By letter dated July 9, 2007, the DHHS received a final report from the Office of Inspector General ("OIG") of the U.S. Department of Health and Human Services regarding an audit of DHHS's disproportionate share hospital ("DSH") payments made during federal fiscal year 2004. The report found that a portion of the federal share for federal fiscal year 2004 was unallowable on grounds that the State's cost to charge ratio was inflated, and recommended that this amount be refunded to the Centers for Medicare and Medicaid Services ("CMS"), who administer the payments. Following DHHS' response to CMS regarding the OIG report, in October 2009 CMS issued a Notice of Disallowance indicating that it concurred with the OIG report findings, and that it was disallowing $35 million in federal funds for federal fiscal year 2004.

After hearings and appeals to the Department Appeals Board (DAB), DAB denied a request for reconsideration and affirmed its decision to uphold the determination by CMS of disallowance. As a result, CMS has issued a claim for repayment in the total amount of $35.4 million plus an estimated interest cost of $0.4 million. CMS has agreed with the State on an arrangement to pay in eight quarterly installments beginning in January 2012, with final installment payable in the quarter beginning October 2013. The expense was recognized and a liability was recorded in the government-wide statement of net position for the full amount of repayment due as of June 30, 2011 while the governmental funds accrued expenditures at the time installments became due and payable. Payments (principal and interest) were made, in accordance with the agreement, as follows: FY12 $9 million, FY13 $17.9 million, and FY14 $8.9 million. The matter is closed as the final payments were made during fiscal year 2014.

***Chase Home et al v. Division for Children, Youth, and Families (DCYF)***

On November 7, 2007, seven residential childcare providers initiated a lawsuit in Merrimack County Superior Court against DCYF on a variety of claims, including DCYF's statutory obligation to pay for residential childcare services provided under certain provisions of State law. DCYF filed a motion for summary judgment, which the court denied, on the grounds that DCYF does not have a contractual relationship with the providers, and that it did not engage in any unconstitutional taking of property. In May 2010, the court ruled in favor of the Petitioners and found that the State had breached its contracts, that there was sufficient money appropriated in the years in question to pay the Petitioners, and awarded damages of $3.5 million for the claims of FY04-FY06 (denying Petitioners' request for attorney fees.) A Motion to Reconsider was denied, another appeal was filed, and a Supreme Court decision upheld the trial court's determination that there were valid contracts, holding the state liable for the court's judgment, plus allowable interest of approximately $0.3 million. On February 3, 2012, the judgment was submitted to the legislature in accordance with RSA 491:8, calling for legislation, which did not pass in the 2012 session. However, HB 486-FN was adopted in 2013 providing the funding ($2.7 million general funds and $1.3 million federal funds) and the judgment was paid in FY13.

There are similar claims by some of the same providers pending in DCYF's administrative appeals unit for FY07-FY10. DCYF estimates the potential liability for the outstanding additional years is between $2 million and $4 million (general fund portion only). Although it is difficult to predict the outcome of this case at this time, the State believes that the legal liabilities recorded as of June 30, 2014 within the government-wide financial statements are reasonably adequate to absorb all or the majority of this liability (general fund portion) if there is a ruling against the State.

***Dube et al. v. Governor et al.***

On April 7, 2011, the United States Department of Justice ("USDOJ") issued a letter finding that the State failed to comply with aspects of the Americans with Disabilities Act, 42 U.S.C. secs. 12131-12134 (Part A), by not providing services for individuals with mental illness that allow them to live in the most integrated community-based settings appropriate for their needs. The USDOJ's findings were based on an investigation it performed of New Hampshire's mental health services system over a four month period. The State issued a formal response to the USDOJ findings, describing the basis for the State's disagreement, and asking the USDOJ to withdraw its findings.

On February 9, 2012, six State residents who have received mental health services from either New Hampshire Hospital or Glencliff Home filed a class action lawsuit in the U.S. District Court alleging New Hampshire has failed to provide adequate community-based mental health services. USDOJ has joined the lawsuit. The State challenged class certification. On September 17, 2013, the Court granted class certification. Trial was scheduled for June 2014. The State appealed the class certification decision to the First Circuit Court of Appeals. Due to the settlement discussions, the District Court and First Circuit were stayed to give the parties an opportunity to determine if settlement is possible. On December 19, 2013, the parties reached a settlement. A hearing on the settlement was held on February 12, 2014, and the Court approved the settlement agreement at the hearing. The parties agreed to dismiss the appeal to the First Circuit and the matter was dismissed by the First Circuit on March 14, 2014. The settlement includes new and additional community-based services for individuals with serious mental illness. The estimated increase in general fund expenditures for fiscal years 2014-2015 is approximately $6 million. In fiscal years 2016-2017, the expected increase in general fund expenditures is approximately $23.7 million. The State has also agreed to pay the plaintiffs $2.4 million for legal fees and expenses within 4 years of the effective date of the agreement of which $1.1 million was paid in fiscal year 2014 and the remaining $1.3 million is a legal liability recorded as of June 30, 2014 within the government-wide financial statements. Funding for the additional services was requested in HB 1635, which passed both the House and Senate and has been signed by the Governor (Chapter 214 Laws of 2014). This matter is now closed.

***Gary Dube et al. v. State of New Hampshire***

Harbor Homes, Inc., a provider of Medicaid-funded community mental health services, and four individuals who had been receiving services from Harbor Homes prior to June 30, 2011 sued the State and DHHS, challenging the State's decision to consolidate delivery of community mental health services in the approved community mental health program for Region 6. The core issue is whether the State rules requiring an interagency agreement with a community mental health program is a reasonable qualification in order to qualify as a community mental health provider of Medicaid-funded services. On January 25, 2012, the Court issued an order granting, in part, the State's Motion for Summary Judgment, but left open the plaintiffs' claim whether the State violated Harbor Homes' due process rights with respect to the Greater Nashua Mental Health Center's refusal to enter into a new interagency agreement upon expiration of the prior agreement. On August 2, 2012, the Court issued an order granting the State's Motion for Summary Judgment on the plaintiff's due process claim. On August 31, 2012, the plaintiffs filed a motion for voluntary non-suit without prejudice of the remaining claims. The motion for voluntary non-suit was granted. The plaintiffs appealed the issues decided in the two motions for summary judgment. On June 18, 2014, the Supreme Court concluded that the rule requiring an interagency agreement is not a reasonable qualification requirement, reversed

the trial court's grant of summary judgment and remanded it to the trial court. The plaintiffs have also filed a new lawsuit for declaratory and injunctive relief, which simply reasserts the same claims as are made in the case remanded to the Superior Court. The State has settled with the individual plaintiffs, agreeing to allow them to receive functional support services from Harbor Homes, and payments of $160,000 in attorney's fees and $2,500 in costs. DHHS filed a partial motion to dismiss against Harbor Homes, the only remaining plaintiff, on August 28, 2014. Harbor Homes has objected, and filed a motion for entry of judgment on its procedural due process claim. The State objected to the motion for entry of judgment, and moved to dismiss on grounds of mootness in light of the settlement agreement with the individual plaintiffs which provides all of the injunctive relief requested in the action.

Harbor Homes filed a separate breach of contract and procedural due process lawsuit. DHHS filed a motion to dismiss on August 28, 2014, to which Harbor Homes has objected. No hearing has been scheduled. This second action, which was filed in Hillsborough South Superior Court, is being transferred to Merrimack County Superior Court. It is not possible to predict the outcome of these cases at this time.

***Wallace et al. v. State of NH DHHS***

On August 16, 2013, 13 persons who receive long-term services pursuant to Medicaid waivers through Area Agencies, 9 Area Agencies (providers of such services), and Community Support Network (an advocacy group that represents the interests of the other plaintiffs) initiated a lawsuit, against the State of New Hampshire and DHHS. The plaintiffs seek a declaration that RSA 126-A:5, XIX, which directs DHHS to implement a managed care system for delivery of Medicaid-funded services, is not intended to include long-term care services provided to developmentally disabled persons and those with acquired brain disorders. The case may have an impact on budget assumptions for savings in FY 2015 or later years, although the impact of a decision for the plaintiffs has not been calculated. No discovery has been exchanged and preliminary dispositive motions have been filed. The court denied DHHS's motion to dismiss. The plaintiffs filed a motion for summary judgment on December 6, 2013. On May 22, 2014, the trial court ruled that the Plaintiffs' cause of action is barred by sovereign immunity, but granted Plaintiffs leave to file an amended complaint to correct the deficiencies. The Plaintiffs filed an amended complaint on June 23, 2014, which added claims for violation of separation of powers, breach of contract, and violation of Section 504 of the Federal Rehabilitation Act, 29 U.S.C. section 794. The State moved to dismiss the three new claims for failure to state a claim and moved to dismiss the original claim as barred by sovereign immunity. The plaintiffs objected and moved for summary judgment on all claims, to which the State has objected. The Court granted the State's motion to dismiss the amended complaint, but is allowing the plaintiffs to amend their complaint one more time. The plaintiffs have filed a Second Amended Complaint, to which the State filed a motion to seek to dismiss on December 22, 2014. It is not possible to predict the outcome of this case at this time.

***Frisbie Memorial Hospital et al. v. Toumpas***

Six Hospitals, Frisbie, Wentworth-Douglas, Exeter, LRGH, Southern NH, and St. Joseph's, filed suit on October 10, 2013 in Strafford Superior Court against DHHS claiming that the 2008 rate reductions to inpatient and outpatient hospital rates are void due to lack of proper notice and failure to submit a state plan amendment ("SPA") and to provide comment opportunity before the changes were made and that they are therefore entitled to payment at higher rates under the existing state plan language for the time period July 1, 2008 to November 19, 2010, the effective date of a SPA approved by CMS that ultimately contained the rate change. The plaintiffs assert damages of approximately $20 million. A motion to dismiss was filed on behalf of the State. On June 23, 2014, the plaintiffs filed a motion to stay to provide time to implement the MET settlement (*see Catholic Medical Center et al v. DRA*). In addition, because St. Joseph's Hospital was not a party to the MET settlement, the stay is designed to provide St. Joseph's time to obtain new legal counsel, and determine if it will continue with the litigation on its own. The matter remains stayed during the implementation of the MET settlement (*see Catholic Medical Center, et al. v. DRA*). Pursuant to the settlement agreement with twenty-five hospitals, any judgment against the State from this litigation will be paid by the settling hospitals, up to a cap of $4.5 million. Although it is not expected that the claim by St. Joseph's Hospital will exceed $4.5 million, it is not possible to predict the outcome of this case at this time.

***Frisbie Memorial Hospital et al. v. Sebelius***

Six Hospitals, Frisbie, Wentworth-Douglas, Exeter, LRGH, Southern NH, and St. Joseph's, filed suit on October 10, 2013 in federal court in an Administrative Procedures Act challenge to CMS' approval of two State Plan Amendments ("SPA") submitted in 2010 that authorized the State to add the current 2008 rates for inpatient and outpatient. The plaintiffs allege that the notice of these proposed SPAs did not specifically include that these rates would be imbedded in these SPAs. The State is not a defendant in this lawsuit. These SPAs, however, are important to the State and the State will seek permission to intervene. If plaintiffs are successful, additional claims would likely be made against the State for the period from November 2010 until March 20, 2012. On June 23, 2014, the plaintiffs filed a motion to stay to provide time to implement the MET settlement (*see Catholic Medical Center et al v. DRA*). In addition, because St. Joseph's Hospital was not a party to the MET settlement, the stay is designed to provide St. Joseph's time to obtain new legal counsel, and determine if it will continue with the litigation on its own. The matter remains stayed during the implementation of the MET settlement (*see Catholic Medical Center, et al. v. DRA*). Pursuant to the settlement agreement with twenty-five hospitals, any judgment against the State from this litigation will be paid by the settling hospitals, up to a cap of $4.5 million. Although it is not expected that the claim by St. Joseph's Hospital will exceed $4.5 million, it is not possible to predict the outcome of this case at this time.

***Carrie Hendrick. v NH DHHS***

The complaint, filed on June 19, 2014 by New Hampshire Legal Assistance (NHLA) as a class action in Merrimack County Superior Court, is regarding DHHS's treatment of social security income ("SSI") as household countable income for eligibility and calculation of TANF grants. NHLA seeks a declaratory judgment that DHHS not include the named plaintiff's children (SSI recipients) in her household assistance group. The plaintiffs also challenge the validity of the applicable administrative rule (He-W 654.04(c)) and seek a permanent injunction. SB 198 (effective 1/13/2012) made the change in state law to count children receiving SSI in the family assistance group. Trial is scheduled for November 2015. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

***Department of Revenue Administration***

***Catholic Medical Center (CMC) et al. v. Department of Revenue Administration ("DRA")***

CMC, Exeter Hospital and St. Joseph's Hospital have filed three separate lawsuits challenging the constitutionality, both facially and as applied, of RSA 84-A, the Medicaid Enhancement Tax ("MET"). The hospitals claim the MET is unconstitutional under both state and federal law because: (1) it taxes hospitals for net patient services revenue ("NPSR") but does not tax other medical entities for the same revenue; and (2) there is an alleged different rate of taxation assessed between the hospitals and rehabilitation hospitals. Each hospital initially sought full reimbursement of the tax it

paid in 2011 totaling $31.5 million. Northeast Rehabilitation Hospital filed a similar lawsuit seeking $1.5 million of reimbursement for the tax paid in 2011. The CMC, Exeter, and St. Joseph's lawsuits have been consolidated (collectively the "CMC Litigation"), and the parties have drafted an agreed stipulation of facts, and have filed cross-motions for summary judgment. The parties in the Northeast Rehabilitation Hospital litigation have agreed to draft an agreed stipulation of facts and litigate the case through cross-motions for summary judgment. The parties in the Northeast Rehabilitation litigation agreed to seek an extension of time of the deadline to reach an agreed statement in that case to sometime after December 31, 2012. During fiscal year 2013, the parties in the CMC litigation settled the 2011 claims, and agreed the remainder of the case will be only for FY 2014 and beyond. The parties have filed an agreed statement of facts and cross-motions for summary judgment. The hospitals filed an objection to the State's cross-motion for summary judgment in October 2013, and the State filed its reply in November 2013. On February 7, 2014, the trial court in the Northeast Rehabilitation case found a portion of the tax (revenue from outpatient hospital services) to be unconstitutional. It implicitly found the State's taxation of inpatient treatment to be constitutional. Finally, the trial court held that the MET did not constitute a double tax of for-profit hospitals. Both parties have appealed this decision. On April 8, 2014, the trial court in the CMC case found the entire tax (inpatient and outpatient hospital services) unconstitutional.

The State entered into a global settlement with 25 hospitals including CMC, Exeter and Northeast. Litigation with these three hospitals will be stayed pending federal approval of changes to the State's distribution of DSH payments. Dismissal of the litigation will not occur until after the settlement is implemented, which may take several years. St. Joseph's Hospital did not agree to the settlement, and is the only remaining active litigant in the MET litigation challenging the constitutionality of the 2011 MET statute. The State has filed a motion arguing that the trial court's decision is now moot in light of statutory changes to MET effective June 30, 2014. On September 15, 2014, the court issued an order temporarily staying the proceedings for six months or until CMS issues a determination relating to the settlement agreement.

On October 15, 2014, St. Joseph's filed a new lawsuit challenging the constitutionality of both the 2014 changes to the MET and the previous law. The plaintiff also claims that the revisions to the law do not apply because it paid the tax before the changes went into effect, and seeks a full tax refund for its fiscal year 2014 MET of $9,379,356. The State has filed its answer, denying the plaintiff's claim that the law (both in its original form and as amended) is unconstitutional. The case is in its preliminary stages, and no court proceedings have yet been scheduled. It is not possible to predict the outcome of this matter at this time.

***Leighton et al. v. State of New Hampshire***

Plaintiffs have challenged the constitutionality of the State's 10% tax on gambling winnings with a class action, but the State has objected to it being certified as a class action, and the court has not yet ruled on that issue. The parties filed a joint interlocutory transfer without ruling in the Supreme Court, which was denied on February 23, 2011. The case returned to Superior Court where the parties agreed that the case could be decided on cross-motions for summary judgment. After the State settled Plaintiff Leighton's claims for $0.3 million, a new lottery winner joined the case as a plaintiff, and motions for summary judgment have been cross claimed. In October 2011, the trial court denied the Plaintiffs' motion for summary judgment, but granted, in part, the State's cross-motion for summary judgment with respect to the plaintiffs' facial challenge to the statute. The court denied the State's motion, in part, finding that there was a question of fact as to whether the plaintiff was a "professional gambler," which the plaintiff conceded that he is not under the legal test articulated by the court in its summary judgment order. Plaintiffs attempted to find a professional gambler to intervene in the case, but were unsuccessful, and in June 2012, the declaratory judgment statute, RSA 491:22, was amended. The plaintiffs' claim that the amendment provides them with standing to challenge the Gambling Winnings Tax as an occupation tax even if they are not professional gamblers, to which claim the State disagrees. The parties agreed to continue the bench trial (scheduled for late September 2012) and file cross-motions for summary judgment. Cross motions for summary judgment were filed by the parties. The court granted the State's motion for summary judgment. The Plaintiffs appealed the trial court's decision to the Supreme Court. The Supreme Court issued an opinion on June 13, 2014, affirming the trial court's decision. Plaintiffs filed a motion for limited reconsideration which was denied on July 10, 2014. This matter is now concluded.

***State v. Priceline, Inc. et al.***

This action seeks to recover unpaid Meals and Rooms Taxes ("M&R Tax"), and penalties under the Consumer Protection Act ("CPA"), against several online travel companies ("OTCs"). The lawsuit seeks to recover unpaid taxes on the difference between the wholesale and retail room and rental car rates. The Defendants only paid taxes on the wholesale rates over the last ten years. The State filed its complaint in Superior Court on October 16, 2013. By order dated June 30, 2014, the court dismissed the State's common law and equitable claims, leaving the several core claims seeking a declaratory ruling and alleging violations of the CPA and the M&R Tax law. The parties are conducting discovery, and expect to file cross motions for summary judgment in the spring of 2015. It is not possible to predict the outcome at this time.

***Retirement System***

***American Federation of Teachers - New Hampshire, et al v. State, Retirement System et al. ("AFT")***

A group of twelve plaintiffs filed suit on August 7, 2009 challenging the changes to the retirement system made pursuant to Chapter 300, Laws of 2008 that affect (1) earnable compensation; (2) COLA payments; and (3) medical subsidies. The plaintiffs have also sought class certification for all other New Hampshire retirees eligible for state retirement benefits. The State answered the complaint on November 4, 2009, and on May 18, 2010 the plaintiffs filed a motion to amend their petition. This motion was granted on July 20, 2010 and the State filed an amended answer. The parties filed cross motions for summary judgment on December 5, 2010, and in January 2011 the court issued an order indicating that it would defer ruling on the parties' summary judgment motions until the class certification process was completed. The plaintiffs have withdrawn their request for class certification, and the trial court has approved an interlocutory appeal without ruling to the Supreme Court. The Supreme Court denied the interlocutory appeal. On July 15, 2013 the Court issued an Order holding that the Contracts Clause applies to employees who are vested in the retirement system (10 years), and the law is unconstitutional as to them. The Court also found that the COLA benefit was not contractually protected, and found that aspect of the law to be constitutional. It also found that the modification to the special account (removing the funding for medical subsidies) was necessary to serve a substantial public interest, and therefore does not violate the constitution. The Plaintiffs have filed a motion to reconsider. On November 18, 2013, the court denied the plaintiffs' motion to reconsider, and on December 3, 2013, the State filed a notice of appeal with the New Hampshire Supreme Court. On December 19, 2013, the plaintiffs filed a cross appeal. Oral argument was held on November 13, 2014. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

***Professional Firefighters et al v. State of New Hampshire ("Fire Fighters I")***

Professional Firefighters, Police Association, National Education Association and State Employees Association filed a Motion on June 29, 2011, of Temporary Restraining Order in Merrimack County Superior Court seeking status quo on member contribution rates and recertification of fiscal year 2012 and 2013 employer contribution rates until such time as the Court can rule on the Petition for Declaratory and Injunctive Relief filed by the same Petitioners the same day.

The State filed a motion to dismiss the petition, and on January 6, 2012 the Court ruled that the increase in employee contributions is unconstitutional as to those employees who are "vested" as that term is defined in the retirement statute (10 years in the retirement system). The Court dismissed the lawsuit, however, on the grounds that the plaintiffs did not allege they are "vested employees" however, the dismissal was without prejudice to the plaintiffs to file an amended petition by March 1, 2012. The Court also dismissed the request to enjoin the recertification of employer contribution rates, stating that employees do not have standing to challenge the employer contribution rate. The Petitioners filed a second amended petition on February 24, 2012. The parties filed cross motions for summary judgment on the issue of whether the increase in the employee contribution is constitutional. On September 16, 2013, the Court granted summary judgment for the plaintiffs to the extent they are vested in the retirement system (ten years). The Court ruled that vested members have a contractual interest in their contribution rates, and legislative changes cannot substantially impair those rights. In October 2013, both parties filed notices of appeal with the Supreme Court. On December 10, 2014, the Supreme Court found there was no unmistakable intent by the legislature to bind itself from prospectively changing the employee contribution rate, and found no constitutional violation. While the case has been remanded, it is expected the trial court will dismiss the case upon remand.

***Professional Fire Fighters of New Hampshire, et al v. State of New Hampshire ("Fire Fighters II")***

In a matter similar to the case Fire Fighters I, the Petitioners have filed a lawsuit challenging Section 161 (definition of Earnable Compensation), Section 163 (definition of Average Final Compensation), Section 164 (Maximum Retirement Benefit), Section 166 (Age Multiplier to calculate benefit), and Section 186 (repeal of disability exception from the gainful occupation reduction provision) of HB2. Petitioners seek an order finding HB2 is unconstitutional under the Contracts and Takings Clauses of both the New Hampshire Constitution and the United States Constitution. Petitioners seek injunctive relief, payment of damages and attorneys' fees. A preliminary injunction hearing was scheduled for May 21, 2012. A hearing on the request for a preliminary injunction was held on August 27, 2012. The trial court ordered the parties to file a motion for interlocutory appeal, which was filed. The trial court issued a preliminary order on May 23, 2013 which held that employees have a contractual interest in their retirement benefit when they become "permanent employees" (approximately 1 year into employment). The Court found there is a factual question on whether the changes to the law resulted in a "substantial impairment." The case will continue to be stayed pending the outcome of the AFT litigation. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

***Professional Fire Fighters of New Hampshire et al. v. State of New Hampshire et al. ("Fire Fighters III")***

This suit arises out of the 2009 changes to the retirement system at issue in the AFT case. The plaintiffs argue that the transfer of $250 million from the special account and changes to COLA payments are unconstitutional under the Contract Clause. The case will continue to be stayed pending the outcome of the AFT litigation. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

***Professional Fire Fighters of New Hampshire et al. v. State of New Hampshire et al. ("Fire Fighters IV")***

On July 11, 2014, the plaintiffs filed a new lawsuit related to Firefighters I seeking payment of the additional employee contributions paid under HB 2. The new lawsuit has been stayed by the trial court pending the outcome of Firefighters I and AFT. In light of the Supreme Court's December 10, 2014 decision in *Firefighters I*, the State expects to file a motion to dismiss if the plaintiffs do not voluntarily withdraw *Firefighters IV*.

***Liquor Commission***

***Law Warehouses, Inc., v. New Hampshire State Liquor Commission ("Law I")***

Law Warehouses Inc. ("LWI") has provided warehousing services to the New Hampshire State Liquor Commission ("NHSLC"). The parties' most recent contract ended on October 31, 2013. In March 2012, the NHSLC issued a RFP requesting bids for a 20-year warehousing services contract to begin upon the expiration of its current contract with LWI. In June 2012, LWI and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHSLC awarded the warehousing contract to Exel, Inc. ("Exel"). LWI finished third under the NHSLC's bid scoring system. LWI did not participate in the protest process outlined in the RFP, but instead, on February 27, 2013, filed a civil action requesting that the court preliminarily enjoin performance of the contract between the NHSLC and Exel and order that a new bidding process take place. LWI contends that the NHSLC improperly modified the RFP in favor of Exel's bid in violation of New Hampshire's competitive bidding laws. The trial court denied LWI's motion for preliminary injunction. On September 3, 2013, LWI filed a Petition for Original Jurisdiction with the Supreme Court. The Supreme Court denied LWI's Petition for Original Jurisdiction. On October 28, 2014, the trial court ruled that LWI's tort damage claims were capped at $475,000, and granted the motion regarding equitable claims. The trial court denied summary judgment as to the promissory estoppel claim and the claim for lost profits. The Court reserved the issue of whether it will hold a pre-trial evidentiary hearing on the issue of immunity. Trial is scheduled for May 2015. It is not possible to predict the outcome of this case at this time.

***Law Warehouses, Inc. v. New Hampshire State Liquor Commission ("Law II")***

Law Warehouses Inc. ("LWI") has filed a second lawsuit regarding the award of the 20-year liquor warehousing services contract to Exel, Inc. ("Exel"). The lawsuit arises from the same facts in the Law I but alleges new state and federal claims of antitrust and civil conspiracy. The State filed a motion to dismiss on November 7, 2014, to which the plaintiff filed an objection. At the motion hearing held on December 15, 2014, the Court asked the parties for additional briefing on whether the Superior Court had subject matter jurisdiction over the claims brought in Law II. Both parties have submitted briefs on the jurisdictional issue raised by the Court. No decision on the motion to dismiss has been issued. It is not possible to predict the outcome of this case at this time.

***XTL-NH, Inc., v. New Hampshire State Liquor Commission and Exel Inc.***

In March 2012, the New Hampshire State Liquor Commission issued a RFP requesting bids for a 20-year warehousing services contract. In June 2012, XTL-NH, Inc. ("XTL") and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHSLC awarded the warehousing contract to Exel, Inc.

("Exel"). XTL finished second under the NHSLC's bid scoring system. XTL participated in the two-level protest process outlined in the RFP. On March 8, 2013, the NHSLC denied XTL's protest. On March 12, 2013, XTL filed a civil action requesting that the Court enjoin performance of the contract between NHSLC and Exel and order the NHSLC to award the contract to XTL. XTL contends that as the lowest responsible bidder, it is entitled to the contract. Further, XTL argues that NHSLC improperly modified the RFP to favor Exel's bid in violation of New Hampshire's competitive bidding laws. The injunction was denied. On April 4, 2014, the NHSLC filed a motion for summary judgment contending that: XTL's requests for injunctive relief and monetary damages were barred by sovereign immunity and that XTL was not entitled to lost profits or attorneys' fees. On July 16, 2014, the Court ruled on the NHSLC's motion for summary judgment. The Court found that XTL cannot obtain injunctive relief or attorneys' fees in this matter, but that XTL can seek monetary damages, including lost profits. On November 14, 2014, the plaintiff filed a motion for interlocutory appeal regarding the trial court's July 16, 2014, order. Trial is not currently scheduled. It is not possible to predict the outcome of this case at this time.

***Department of Corrections***

***Woods et al. v. Commissioner of the Department of Corrections***

Four female New Hampshire state inmates filed this class action lawsuit in state court seeking declaratory and injunctive relief to remedy claimed violations of their constitutional, statutory and judicially decreed right to facilities, conditions of confinement, programs, and services that are on parity with those that the State of New Hampshire provides to male New Hampshire prison inmates. The Plaintiffs claim that female inmates do not have access to vocational training, education, and other programs, services and facilities comparable to what is provided to male inmates, and claim that the Defendant has therefore violated (1) their rights under New Hampshire's Equal Rights Amendment, Part I, Article 2 of the State Constitution; (2) the Equal Protection Clause of the New Hampshire Constitution, Part I, Article 12; (3) RSA 622:33-a, III; and (4) RSA 21-H:11. The State filed an answer on November 2, 2012. Petitioners filed a motion for class certification in February 2013. The State filed an objection in March 2013 and the parties have agreed to stay the case as the Legislature has included a $38 million capital budget appropriation for a new women's prison and transitional housing facility in the FY14/15 Capital Budget (Chapter 195 Laws 2013). It is not possible to predict the outcome of this case at this time.

***Environmental Litigation***

***State of New Hampshire v. Amerada Hess, et al.***

The State filed this claim for damages, injunctive relief and civil penalties against major oil companies as a result of statewide contamination of drinking water with the gasoline additive Methyl tertiary-butyl ether ("MtBE"). The Defendants attempted to remove the case to federal court. The State was successful in its argument that the case should be heard in the state court and the case was remanded to the Merrimack County Superior Court. On September 17, 2008, the trial court granted the Defendants' Motion to Dismiss as it related to the State's claim based on nuisance. The Court denied the Defendants' Motion to Dismiss the other counts of the State's Petition. On September 30, 2008, the trial court granted the State's Motion to Dismiss the Defendants' counterclaims. The State has prevailed on a number of summary judgment motions, including a motion to seek damages for contamination to private wells. The State lost two summary judgment motions that eliminated its Trespass and Consumer Protection Claims. Further, the State dismissed on its own motion its claim under RSA 146-A. The State's remaining claims are 2 products liability claims and a negligence claim. The State's claim for damages was approximately $771 million. Settlements executed with all the defendants except Exxon/Mobil, totaled approximately $136.5 million. After reduction for legal and other settlement-related costs, approximately $90 million was received by the State during fiscal year 2013 and was recorded as a special item in the general fund. Approximately $81 million is restricted for environmental purposes and the remaining $9 million is unrestricted in accordance with the terms of the settlement agreements. The restricted portion balance as of June 30, 2014 remains substantially unchanged from June 30, 2013. Those settlements are subject to the terms of the settlement agreements, all of which have been approved by the trial court. Those are now final, and not subject to further amendments or appeal. Exxon/Mobil was the only defendant that did not settle before trial. After trial against Exxon/Mobil, the jury awarded the State $236 million. The trial court has ruled that the State is required to put $195 million of the jury's award in a trust. The State has filed an objection, which has not been ruled on. The trial court also awarded prejudgment interest but has not yet calculated the amount and will probably not do so while the appeal is pending. The defendant filed an appeal. The Supreme Court has ordered Exxon to file its brief by November 3, 2014, and the State's brief is to be filed by January 2, 2015. The State has requested an extension of the responsive deadline. The Superior Court continues to examine the State's requests for expert costs and will likely schedule oral argument on this issue. It is not possible to predict the outcome at this time.

***Aranosian Oil Co. et. al. v. State***

On February 24, 2012 a number of independent oil dealers brought a petition for declaratory judgment and equitable relief seeking to recover money they previously paid into the Oil Discharge and Disposal Fund ("ODD Fund") in the event the State prevails in the matter of State v. Amerada Hess et al. The petition argues that the fees paid into the ODD fund are unconstitutional, and also argues theories of unjust enrichment and equitable right of subrogation. The petition is identical to one brought previously by a number of the same Plaintiffs, which was dismissed by the Superior Court on the issue of ripeness. Plaintiffs allege damages of approximately $17.8 million. Trial occurred on May 30, 2014 and the trial court issued a decision denying the plaintiff's claims against the State. The plaintiffs have appealed. It is not possible to predict the outcome of this case at this time.

***State v. Shell Oil Co.***

The State has asserted a claim against Shell Oil Company and associated entities for unjust enrichment. The State has claimed that Shell received disbursements from the State's Oil Discharge and Disposal Fund ("ODD Fund") for remediation work it performed at contaminated sites in the state, then subsequently recovered money from its insurers for the same sites. The State arranged for a pre-litigation mediation session to occur in February 2013. The State filed suit in September 2013 in Superior Court against Shell Oil seeking $4.4 million plus fees, costs, and enhanced compensatory damages. Discovery is ongoing. It is not possible to predict the outcome of this matter at this time.

***Other Matters***

***The Sunapee Difference, LLC v. State of NH***

The plaintiff sued the State for mandamus, breach of contract, promissory estoppel, breach of covenant of good faith and fair dealing and inverse condemnation arising out of the plaintiff's lease with the State to operate the Mt. Sunapee ski area. The plaintiff amended its complaint to add a claim for contract reformation. Specifically the plaintiff alleged that the State breached its promises to the plaintiff by failing to amend the leasehold description and/or by failing to amend the lease and operating agreement to permit expansion of the ski area. The plaintiff claimed over $14 million in damages.

A hearing was held on the State's Motion to Dismiss on October 10,

2008. By an order dated November 17, 2008, the Court denied the State's Motion to Dismiss with regard to Sunapee Difference's claims of breach of contract, estoppel, breach of implied covenant of good faith and fair dealing, and inverse condemnation. On or about December 30, 2008, the State filed a Motion for Summary Judgment on all of the plaintiff's claims. On April 17, 2009, the Court issued an order granting the State's Motion for Summary Judgment in full, and entered judgment in favor of the State. Following a denial of the plaintiff's Motion for Reconsideration, the plaintiff filed an appeal with the New Hampshire Supreme Court. The Court issued an interim order on June 25, 2010 remanding the case back to the trial court for a ruling on whether the plaintiff has standing to bring the lawsuit. After hearing, the trial court issued an order ruling that Sunapee Difference has standing to seek reformation of the lease. The State appealed that decision to the Supreme Court. Oral argument was held on both the 2009 and 2012 appeals on September 13, 2012. On April 30, 2013, the Supreme Court affirmed in part, reversed in part, vacated in part, and remanded the case to the trial court. In its Order, the Supreme Court affirmed the trial court's order granting summary judgment for the State of Sunapee Difference's contract claim, but remanded the case for trial on the issues of estoppel and reformation of contract. Trial was held in April 2014. On July 10, 2014, the Court issued an order on the merits. The Court reformed the lease contract to make the leasehold boundary coterminous with the State's property boundary, but denied the Plaintiff's claim for estoppel and inverse condemnation, and did not award any damages to the Plaintiff. Neither party appealed and this matter is now closed.

***TLT Construction Corp.***

On September 14, 2011, the Executive Council approved a contract with TLT Construction Corp. to construct the Pembroke Regional Training Institute and Barracks for the N.H. Army National Guard. The contract amount of $24.6 million is 100% Federal funds, the expenditure of which is monitored and authorized by the National Guard Bureau in Washington, D.C. In late May 2012, the Bureau of Public Works (BPW) terminated TLT as the general contractor for the project. TLT filed administrative appeals of the termination with the Department of Administrative Services and the Department of Transportation, but those matters were stayed pending negotiations to resolve the dispute. Settlement terms were reached between the parties, and stipulations of dismissal have been filed in the two administrative proceedings. The State paid approximately $2.4 million to settle the majority of the claims, of that, the State was reimbursed by approximately $1.4 million in federal funds. The last remaining issues relating to various pieces of missing steel and pieces of steel that the State claims are defective have been resolved with a payment to the State of $813. This matter is now closed.

***White Mountain Communications Co. v. New Hampshire Department of Administrative Services***

This is a civil action initiated by a general contractor against the New Hampshire Department of Administrative Services ("DAS"), New Hampshire Department of Resources and Economic Development ("DRED") and two DAS employees. This matter relates to the construction of four mountaintop communication facilities. The plaintiff is alleging that the State breached its contract with the plaintiff by improperly terminating the construction contract in February of 2012 without just cause. The plaintiff has also made claims for unjust enrichment, fraud and breach of the implied covenant of good faith and recently filed several claims against its surety. The defendants filed cross claims against the plaintiff in this matter. The surety has moved to dismiss the plaintiff's claims and a decision on that motion is pending. The parties and court have agreed not to set a new discovery and trial deadline until the motion to dismiss has been decided. The parties have also discussed renewing settlement discussions. The State has not yet made an offer in this matter. The plaintiff and its surety made a combined demand of approximately $1.3 million. However, the plaintiff disclosed an expert in the administrative appeal who estimated total damages to be approximately $2.5 million. Additionally, the plaintiff has amended its complaint to add its surety as a party. Trial is scheduled for August 2015, and mediation is scheduled for January 2015. It is not possible to predict the outcome of this case at this time.

***Wendy Lawrence v. New Hampshire Department of Safety***

The State has learned that the estate of Wendy Lawrence filed a lawsuit against the State Police arising out of an officer-involved shooting after she fled from State Police during a traffic stop in September 2013. The State has not received a copy of the lawsuit. The State is unable to determine the likelihood of an unfavorable outcome, or the amount or range of any loss if an unfavorable outcome occurs.

***Katherine Frederick v. NH DHHS***

The complaint, filed on September 21, 2014, alleges that the plaintiff suffered damages as a result of DHHS's failure to allow the plaintiff to breastfeed her child. She alleges wrongful discharge and violations of 29 U.S.C. §207(r), 29 U.S.C. §215(a)(3), the Family Medical Leave Act ("FMLA"), Title VII, and RSA 275-E. It is not known at this stage how much the plaintiff is seeking in damages. The State has filed a motion seeking dismissal of all claims, to which the plaintiff has filed an objection. It is not possible to predict the outcome of this case at this time.

***OTHER LITIGATION***

The State, its agencies, officials and employees are defendants in numerous other lawsuits. Although the State is unable to predict the ultimate outcomes of these suits, based on the information provided by the Attorney General's Office, it does not appear that such litigation resulting, either individually or in the aggregate, in final judgments against the State, would materially affect its financial position. Accordingly, no detailed disclosures of these other lawsuits are provided herein and only immaterial provisions, if appropriate, for such ultimate liability has been made in the financial statements.

## 15. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

A summary of the nature and purpose of the contraints and related amounts by fund at June 30, 2014, follows:

**Governmental Fund Balances - Restricted, Committed and Assigned**

**Governmental Fund Balance**
(expressed in thousands)

| | Restricted Purposes | Committed Purposes | Assigned Purposes |
|---|---|---|---|
| **General Fund:** | | | |
| General Government | $5,471 | $19,902 | $3,544 |
| Administration of Justice & Public Protection | 86,814 | 48,440 | 10,858 |
| Resources Protection & Development | 7,429 | 29,913 | 2,594 |
| Transportation | | 624 | 73 |
| Health & Human Services | 8,663 | 12,868 | 15,686 |
| Education | 1,040 | 4,578 | 3,010 |
| Total | $109,417 | $116,325 | $35,765 |
| **Highway Fund:** | | | |
| Administration of Justice & Public Protection | $5,617 | | |
| Resources Protection & Development | 29 | | |
| Transportation | 158,169 | | |
| Total | $163,815 | | |
| **Education Trust Fund:** | | | |
| Education | | | $5,069 |
| Total | | | $5,069 |
| **Non-Major Governmental Funds:** | | | |
| Resources Protection & Development | $2,602 | $1,304 | $1,235 |
| Other Purposes | 46,101 | | |
| Total | $48,703 | $1,304 | $1,235 |

The State maintains a Revenue Stabilization account (the Rainy Day Fund) established by RSA 9:13-e. Pursuant to RSA 9;13-e, at the close of each fiscal biennium, any General Fund Unassigned Fund Balance (Surplus) remaining, as determined by the official audit performed pursuant to RSA 21-I:8, II(a), shall be transferred to this special nonlapsing account; provided, however, that in any single fiscal year the total of such transfer shall not exceed ½ of the total potential maximum balance allowable which is defined as 10% of the actual general fund unrestricted revenues for the most recently completed fiscal year. In the event of an operating budget deficit at the close of any fiscal biennium, as determined by the official audit, and upon approval of the Fiscal Committee of the General Court and the Governor to the extent available, sufficient funds can be transferred from this account to eliminate such deficit. Such transfer shall occur only when both of the following conditions are met:

1) A general fund operating budget deficit occurred for the most recently completed fiscal biennium and 2) Unrestricted general fund revenues in the most recently completed fiscal biennium were less than the budget forecast. No available balance in the revenue stabilization reserve account shall be utilized for any purpose other than deficit reduction without specific approval of 2/3 of each house of the General Court and the Governor. The balance at June 30, 2014 remained at $9.3 million, the same as at June 30, 2013.

## 16. JOINT VENTURES-LOTTERY COMMISSION

The New Hampshire Lottery Commission is an active participant in three separate joint venture arrangements: the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and the Lucky for Life.

In September 1985, the Tri-State was established whereby the New Hampshire Lottery Commission (Lottery) entered into a joint venture with the lotteries of the states of Maine and Vermont to promulgate rules and regulations regarding the conduct of lottery games and the licensing of retailers. In addition, each of the member states contributes services towards the management and advisory functions. Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Direct charges, such as advertising, vendor fees and the Lottery's per-diem payments are charged to participating states based on services received. Prizes awarded under Tri-State games are fully funded by deposit fund contracts and investments held by Tri-State. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. At June 30, 2014 Tri-State reported total installment prize obligations owed to jackpot winners of $37.9 million, payable through the year 2043.

In addition, Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The Lottery's share of deposits held as Tri-State prize reserves was $1.8 million at June 30, 2014. The Tri-State issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, 1311 US Route 302 Suite 100, Barre, Vermont 05671.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 37 member state lotteries and administers the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games. Each state lottery sells tickets, collects revenues and remits prize funds to MUSL net of lower tier prize awards. Each member also pays for a share of MUSL's operating expenses based upon the members' proportionate share of game sales. Jackpot prizes that are payable in installments are satisfied through investments purchased by MUSL. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL. For the year ended June 30, 2014, the Lottery recognized $23.1 million of net income from MUSL.

In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was $2.5 million at June 30, 2014. MUSL issues a publicly available annual financial report, which may be obtained by writing to the Multi-State Lottery Association, 4400 NW Urbandale Drive, Urbandale, Iowa 50322.

The New Hampshire Lottery Commission became a member of the New England regional lottery game known as Lucky for Life beginning sales on March 11, 2012, with the first drawing held on March 15, 2012. Lucky for Life is currently comprised of the six New England states' lotteries: the Connecticut Lottery Corporation, the Maine State Liquor & Lottery Commission, the Massachusetts State Lottery Commission, the New Hampshire Lottery Commission, the Rhode Island Division of State Lottery, and the Vermont Lottery Commission. The Lottery sells Lucky for Life tickets, collects all revenues, and remits prize funds and operating funds to MUSL. While Lucky for Life is not a MUSL game, the party lotteries pay a fee to MUSL to act as the game administrator (clearinghouse agent). MUSL collects and re-distributes funds to the party lotteries when funds are due and purchases insurance annuities for the top two highest prize tiers when a winner does not choose a cash payout. The top two prize tiers are payable in installments and are satisfied through insurance annuities purchased by MUSL when a winner chooses the annuity option. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses.

Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. For the year ended June 30, 2014, New Hampshire's total share of the net operating income for Lucky for Life was $2.1 million. The prize liability for each Lucky for Life drawing is shared by each member Lottery based on an amount equal to a percentage of that member Lottery's Lucky for Life sales. Each member Lottery is responsible for a prize payout equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of total Lucky for Life prize liability to total Lucky for Life sales. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses. There are no prize reserves held by MUSL for this game. New Hampshire's total share of accrued prize and operating amounts due at June 30, 2014 amounted to $2.4 million.

## 17. ACCOUNTING CHANGES

**University System of New Hampshire (USNH)**

The UNH School of Law fully integrated with USNH as of January 1, 2014. The integration is treated as a merger in accordance with GASB Statement No. 69, *Governmental Combinations and Disposals of Government Operations*. Accordingly, the activities and balances of the UNH School of Law were merged with those of USNH for financial reporting purposes as of the beginning of the fiscal year, with the effect on beginning net position shown below.

**Turnpike System**
**Business Finance Authority (BFA)**

The Turnpike System and BFA adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Implementation of this guidance requires bond issuance costs (previously reported as assets) to be expensed when incurred. Accordingly, previously unamortized bond issuance costs have been eliminated and the related effect on beginning net position for business-type activities and non-major component units is below:

| (Expressed in Thousands) | Turnpike System | Total Business-type Activities | USNH | Non-major Component Units | Total Component Units |
|---|---|---|---|---|---|
| Net Position, as previously reported | $512,431 | $1,323,474 | $1,160,841 | $227,156 | $1,387,997 |
| Add Net Position of UNH School of Law | | | 28,506 | | 28,506 |
| Accelerated Amortization of Bond Issue Costs | (2,158) | (2,158) | | (154) | (154) |
| Net Position, as restated | $510,273 | $1,321,316 | $1,189,347 | $227,002 | $1,416,349 |

## 18. SUBSEQUENT EVENTS

The State issued its $89,925,000 General Obligation Refunding Bonds, 2014 Series A (the "2014 Series A Refunding Bonds") on December 10, 2014 for the current and advanced refunding of outstanding general obligation debt of the State. The Series A Refunding Bonds were sold through a negotiated sale to both retail and institutional investors and resulted in an overall true-interest-cost of 2.29% with net present value savings to the State of $7.6 million.

The State issued its $55,005,000 General Obligation Capital Improvement Bonds 2014 Series B (the 2014 Series B Bonds") on December 11, 2014 through a competitive sale and resulted in an overall true-interest-cost to the State of 2.64% and coupons ranging from 2.5% to 5.0%. The Series B Bonds were issued to fund all or a portion of various capital projects.

# Required Supplementary Information (Unaudited)

**STATE OF NEW HAMPSHIRE**
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)**
**GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(expressed in thousands)**

| | General Fund | | | |
|---|---|---|---|---|
| | Budgeted Amount | | | Variance with Final Budget- |
| | ORIGINAL | FINAL | ACTUAL (Budgetary Basis) | Positive (Negative) |
| **REVENUES** | | | | |
| General Property Taxes | $130 | $130 | $149 | $19 |
| Special Taxes | 951,314 | 952,591 | 853,839 | (98,752) |
| Personal Taxes | 127,494 | 127,494 | 130,150 | 2,656 |
| Business License Taxes | 22,310 | 22,322 | 21,182 | (1,140) |
| Non-Business License Taxes | 90,145 | 90,437 | 94,895 | 4,458 |
| Fees | 164,453 | 174,644 | 167,510 | (7,134) |
| Fines, Penalties and Interest | 7,002 | 8,214 | - | (8,214) |
| Grants from Federal Government | 1,766,432 | 1,850,639 | 1,301,144 | (549,495) |
| Grants from Private and Local Sources | 172,283 | 177,949 | 161,272 | (16,677) |
| Rents and Leases | 1,243 | 1,901 | 1,414 | (487) |
| Interest Premiums and Discounts | 20,194 | 20,200 | 17,390 | (2,810) |
| Sale of Commodities | 13,904 | 19,151 | 12,443 | (6,708) |
| Sale of Services | 30,767 | 31,113 | 28,503 | (2,610) |
| Assessments | 100,491 | 101,738 | 77,814 | (23,924) |
| Grants from Other Agencies | 166,511 | 166,751 | 132,481 | (34,270) |
| Miscellaneous | 456,456 | 586,396 | 334,301 | (252,095) |
| Total Revenue | 4,091,129 | 4,331,670 | 3,334,487 | (997,183) |
| **EXPENDITURES** | | | | |
| GENERAL GOVERNMENT | | | | |
| Legislative Branch | 19,415 | 18,853 | 15,148 | 3,705 |
| Executive | 60,267 | 60,803 | 33,428 | 27,375 |
| Information Technology | 69,125 | 69,982 | 58,639 | 11,343 |
| Executive Council | 229 | 231 | 208 | 23 |
| Off. Of Economic Stimulus | - | - | - | - |
| Administrative Services | 122,373 | 128,828 | 122,235 | 6,593 |
| Sec of State | 10,449 | 13,634 | 7,846 | 5,788 |
| Cultural Affairs | 6,698 | 7,016 | 5,700 | 1,316 |
| Revenue Administration | 16,294 | 15,538 | 13,347 | 2,191 |
| State Treasury | 91,308 | 93,087 | 88,438 | 4,649 |
| NH Retirement System | 7,963 | 7,984 | 6,767 | 1,217 |
| Boards and Commissions | 3,359 | 3,392 | 3,072 | 320 |
| Total | 407,480 | 419,348 | 354,828 | 64,520 |
| JUSTICE AND PUBLIC PROTECTION | | | | |
| Judicial Branch | 82,521 | 79,183 | 76,834 | 2,349 |
| Adjutant General | 31,103 | 31,917 | 20,731 | 11,186 |

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF NEW HAMPSHIRE**
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued**
**GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(expressed in thousands)**

| | General Fund | | | |
|---|---|---|---|---|
| | Budgeted Amount | | | Variance with Final Budget- |
| | ORIGINAL | FINAL | ACTUAL (Budgetary Basis) | Positive (Negative) |
| Agriculture | 5,743 | 6,074 | 4,458 | 1,616 |
| Justice Department | 34,187 | 58,703 | 23,134 | 35,569 |
| Bank Commission | 6,068 | 5,888 | 4,825 | 1,063 |
| Highway Safety | 8,846 | 8,832 | 3,015 | 5,817 |
| Insurance | 12,064 | 14,056 | 9,865 | 4,191 |
| Labor | 23,400 | 23,405 | 21,979 | 1,426 |
| Public Utilities Commission | 34,542 | 44,037 | 32,820 | 11,217 |
| Safety | 106,881 | 143,303 | 69,843 | 73,460 |
| Corrections Department | 104,993 | 105,601 | 103,832 | 1,769 |
| Employment Security | 57,292 | 60,749 | 30,963 | 29,786 |
| Judicial Council | 24,874 | 25,028 | 24,605 | 423 |
| Human Rights Commission | 645 | 642 | 596 | 46 |
| Boards and Commissions | 411 | 413 | 404 | 9 |
| Total | 533,570 | 607,831 | 427,904 | 179,927 |
| RESOURCE PROTECTION AND DEVELOPMENT | | | | |
| Resource and Economic Development | 76,206 | 86,455 | 55,606 | 30,849 |
| Pease Development Authority | 699 | 699 | 708 | (9) |
| Environmental Services | 113,673 | 137,385 | 71,091 | 66,294 |
| Development Finance Authority | 180 | 180 | 180 | - |
| Boards and Commissions | 50 | 58 | 58 | - |
| Total | 190,808 | 224,777 | 127,643 | 97,134 |
| TRANSPORTATION | | | | |
| Transportation | 33,740 | 34,793 | 10,616 | 24,177 |
| Total | 33,740 | 34,793 | 10,616 | 24,177 |
| HEALTH AND SOCIAL SERVICES | | | | |
| Health and Human Services Commissioner | 178,399 | 197,072 | 120,422 | 76,650 |
| Office of Health Management | 106,057 | 106,336 | 74,003 | 32,333 |
| Children and Youth | 1,781 | 1,857 | 1,322 | 535 |
| Transitional Assistance | 98,939 | 113,373 | 85,872 | 27,501 |
| Office of Medicaid & Business Policy | 624,336 | 645,574 | 578,857 | 66,717 |
| Behavioral Health | 127,537 | 121,318 | 86,424 | 34,894 |
| Developmental Services | 298,486 | 305,623 | 275,134 | 30,489 |
| Developmental Disabilities Council | 658 | 661 | 479 | 182 |
| N H Hospital | 65,340 | 62,224 | 57,561 | 4,663 |
| Glencliff Home | 14,599 | 14,486 | 13,485 | 1,001 |
| N H Veterans Home | 31,558 | 31,563 | 28,354 | 3,209 |

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF NEW HAMPSHIRE**
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued**
**GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(expressed in thousands)**

| | General Fund | | | |
|---|---|---|---|---|
| | Budgeted Amount | | | Variance with Final Budget- Positive (Negative) |
| | ORIGINAL | FINAL | ACTUAL (Budgetary Basis) | |
| Veterans Council | 495 | 497 | 465 | 32 |
| Youth Development Services | 332 | 832 | 774 | 58 |
| Human Services | 173,537 | 168,875 | 152,294 | 16,581 |
| Elderly and Adult Services | 494,068 | 500,450 | 449,005 | 51,445 |
| Community Based Care | 28,399 | 28,316 | 17,029 | 11,287 |
| Board of Medicine | 920 | 949 | 868 | 81 |
| Boards and Commissions | 3,748 | 3,913 | 3,248 | 665 |
| Total | 2,249,189 | 2,303,919 | 1,945,596 | 358,323 |
| EDUCATION | | | | |
| Department of Education | 438,459 | 440,340 | 279,574 | 160,766 |
| NH Comm. Tech. College System | 40,000 | 40,000 | 40,000 | |
| Planetarium | | | 11 | (11) |
| Police Standards and Training Council | 3,542 | 3,616 | 2,953 | 663 |
| University of New Hampshire | 69,000 | 69,000 | 69,000 | |
| Total | 551,001 | 552,956 | 391,538 | 161,418 |
| Debt Service | 104,325 | 104,325 | 104,325 | |
| Capital Outlays | 15,871 | 15,871 | 15,871 | |
| Total | 4,085,984 | 4,263,820 | 3,378,321 | 885,499 |
| Excess of Revenues Over Expenditures | 5,145 | 67,850 | (43,831) | (111,681) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 146,300 | 146,300 | 149,868 | 3,568 |
| Transfers Out | (331,153) | (331,153) | (331,153) | |
| Miscellaneous | | | 4,555 | 4,555 |
| Total Other Financing Sources (Uses) | (184,853) | (184,853) | (176,730) | 8,123 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (179,708) | (117,003) | (220,561) | (103,558) |
| **Fund Balance - July 1** | 715,404 | 715,404 | 715,404 | |
| **Fund Balance - June 30** | 535,696 | 598,401 | 494,843 | (103,558) |

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF NEW HAMPSHIRE**
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)**
**HIGHWAY FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(expressed in thousands)**

| | Highway Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | |
| | Original | Final | Actual (Budgetary Basis) | Variance with Final Budget-Positive (Negative) |
| **REVENUES** | | | | |
| Business License Taxes | $147,952 | $147,952 | $145,658 | $(2,294) |
| Non-Business License Taxes | 80,534 | 80,534 | 83,692 | 3,158 |
| Fees | 23,761 | 23,766 | 24,221 | 455 |
| Fines, Penalties and Interest | 7,918 | 7,926 | 7,788 | (138) |
| Grants from Federal Government | 570,238 | 572,541 | 195,249 | (377,292) |
| Grants from Private and Local Sources | 8,788 | 8,788 | 11,821 | 3,033 |
| Rents and Leases | 209 | 209 | 141 | (68) |
| Sale of Commodities | 1,383 | 20,387 | 18,743 | (1,644) |
| Sale of Services | 6,004 | 5,784 | 4,875 | (909) |
| Grants from Other Agencies | 7,310 | 12,294 | 14,470 | 2,176 |
| Miscellaneous | 33,451 | 35,666 | 21,215 | (14,451) |
| Total Revenues | 887,548 | 915,847 | 527,873 | (387,974) |
| **EXPENDITURES** | | | | |
| Justice and Public Protection | 89,274 | 91,153 | 82,961 | 8,192 |
| Resource Protection and Development | 1,639 | 1,654 | 1,405 | 249 |
| Transportation | 856,804 | 898,561 | 431,918 | 466,643 |
| Debt Service | 32,782 | 32,782 | 32,782 | - |
| Capital Outlays | 18,430 | 18,430 | 18,430 | - |
| Total Expenditures | 998,929 | 1,042,580 | 567,496 | 475,084 |
| Deficiency of Revenues | | | | |
| Under Expenditures | (111,381) | (126,733) | (39,623) | 87,110 |
| **OTHER FINANCING SOURCES (USES)** | | | | - |
| Transfers Out | - | (2,114) | (2,114) | - |
| Miscellaneous | - | 2,800 | 2,800 | - |
| Total Other Financing Sources (Uses) | - | 686 | 686 | 0 |
| Deficiency of Revenues | | | | 0 |
| and Other Sources Under | | | | 0 |
| Expenditures and Other Uses | (111,381) | (126,047) | (38,937) | 87,110 |
| **Fund Balance - July 1** | 534,465 | 534,465 | 534,465 | - |
| **Fund Balance - June 30** | $423,084 | $408,418 | $495,528 | $87,110 |

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF NEW HAMPSHIRE**
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)**
**EDUCATION FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
**(expressed in thousands)**

| | Education Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | |
| | Original | Final | Actual (Budgetary Basis) | Variance with Final Budget-Positive (Negative) |
| **REVENUES** | | | | |
| General Property Taxes | $398,100 | $398,100 | $399,370 | $1,270 |
| Special Taxes | 249,840 | 249,840 | 243,024 | (6,816) |
| Personal Taxes | 87,150 | 87,150 | 89,753 | 2,603 |
| Fines, Penalties and Interest | | | 1 | 1 |
| Grants from Federal Government | | | | |
| Miscellaneous | 40,000 | 40,000 | 40,000 | |
| Total Revenues | 775,090 | 775,090 | 772,148 | (2,942) |
| **EXPENDITURES** | | | | |
| Education | 959,283 | 959,283 | 948,300 | 10,983 |
| Total Expenditures | 959,283 | 959,283 | 948,300 | 10,983 |
| Deficiency of Revenues Under Expenditures | (184,193) | (184,193) | (176,152) | 8,041 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | | 200,024 | 200,024 | |
| Total Other Financing Sources (Uses) | | 200,024 | 200,024 | |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses) | (184,193) | 15,831 | 23,872 | 8,041 |
| **Fund Balance - July 1** | (119,537) | (119,537) | (119,537) | |
| **Fund Balance - June 30** | $(303,730) | $(103,706) | $(95,665) | $8,041 |

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

# Note to the Required Supplementary Information - Budgetary Reporting (Unaudited)

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The Budget To Actual (Non-GAAP Budgetary Basis) Schedules depict budgeted to actual expenditures at the Department level, which is the legal level of budgetary control for all governmental funds.

The comparison schedule presented for the General Fund, the Highway Fund, and the Education Fund, presents the original and final appropriated budgets for fiscal year 2014, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The "original budget" and related estimated revenues represent the spending authority enacted into law by the appropriation bill as of June 26, 2013 (HB1), and include balances and encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require the final legal budget be reflected in the “final budget” column for those accounts included in the original budget. Therefore updated revenue estimates available for appropriations as of June 30, 2014 rather than the amounts shown in the original budget, are reported. The final appropriations budget represents the original budget (HB1), plus HB2 and supplemental appropriations, carry-forwards, approved transfers, and any executive order reductions for budgeted accounts.

RECONCILIATION OF BUDGETARY TO GAAP

The state’s biennial budget is prepared on a basis other than GAAP. The “actual” results columns of the Budget To Actual (Non-GAAP Budgetary Basis) schedules are presented on a “budgetary basis” under such standardized accounting methods and policies structured to provide a meaningful comparison to budget.

The major differences between the budgetary basis and the GAAP basis are:

1. Expenditures (Budgetary) are recorded when cash is paid, rather than when the obligation is incurred (GAAP). Revenues (Budgetary) are based on cash received plus estimated revenues related to the budgetary expenditures. Additional revenue accruals are made on a (GAAP) basis only.
2. On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order to not double count revenues and expenditures.

The following schedule reconciles the General and Major Special Revenue Funds of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2014 (expressed in thousands).

| | General Fund | Highway Fund | Education Fund |
|---|---|---|---|
| Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (Budgetary Basis) | $(220,561) | $(38,937) | $23,872 |
| Adjustments and Reclassifications: | | | |
| To record change in Accounts Payable and Accrued Payroll | (52,536) | (4,808) | 481 |
| To Record change in Accounts Receivable | (141,699) | (10,539) | (75,415) |
| To Record Other Financing Sources (Uses) | 372,195 | 14,020 | 56,131 |
| Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (GAAP Basis) | $(42,601) | $(40,264) | $5,069 |

# Required Supplementary Information (Unaudited)

## INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability ("AAL") for benefits was $1,857 million, with no actuarial value of assets, resulting in UAAL of $1,857 million, as compared with a UAAL as of December 31, 2010 of $2,258 million. The decrease in the AAL and UAAL from the December 31, 2010 valuation is attributable to specific changes made to pricing of the prescription drug program, changes in plan design and premium contributions, and overall favorable health claim experience. The new valuation report was performed using updated data, a payroll growth assumption of 3.75% (down from 4.50%) and changes to mortality, disability, turnover and retirement rates consistent with changes made by the New Hampshire Retirement System based on its June 30, 2010 experience study. The following schedule presents the State of New Hampshire's actuarially determined funding progress for the State's Other Postemployment Benefits (using the projected unit credit actuarial cost method):

**Schedule of Funding Progress by Valuation Date**

(Expressed in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 12/31/12 | $ - | $ 1,856,714 | $ 1,856,714 | 0% | $ 518,664 | 357.98% |
| 12/31/10 | - | 2,257,820 | 2,257,820 | 0% | 597,821 | 377.67% |
| 06/30/08 | - | 2,470,485 | 2,470,485 | 0% | 602,644 | 409.94 % |

## INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

The following schedule presents the New Hampshire Judicial Retirement Plan's actuarially determined funding progress for pension benefits (using the entry age normal actuarial cost method):

**Schedule of Funding Progress by Valuation Date**

(Expressed in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 01/01/14 | $ 41,137 | $ 80,713 | $ 39,576 | 51% | $ 7,006 | 564.89% |
| 01/01/12 | 41,547 | 71,305 | 29,758 | 58% | 6,553 | 454.11% |
| 01/01/10 | 44,014 | 59,826 | 15,812 | 74% | 7,760 | 203.76% |

**KPMG LLP**
Two Financial Center
60 South Street
Boston, MA 02111

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Fiscal Committee of the General Court
State of New Hampshire

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 31, 2014. Our report includes an emphasis of matter paragraph noting the State's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* in the fiscal year ended June 30, 2014. Our report also includes a reference to other auditors who audited the financial statements of the Liquor Commission, Lottery Commission, New Hampshire Public Deposit Investment Pool, Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, Pease Development Authority, Community College System of New Hampshire, and the New Hampshire Judicial Retirement Plan, as described in our report on the State's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the New Hampshire Public Deposit Investment Pool and the Business Finance Authority of the State of New Hampshire were not audited in accordance with *Government Auditing Standards*.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 State's Responses to the Findings**

The State's responses to the findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 31, 2014

**KPMG LLP**
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**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations***

To the Fiscal Committee of the General Court
State of New Hampshire

## Report on Compliance for Each Major Federal Program

We have audited the State of New Hampshire's (State) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (Compliance Supplement) that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2014, except for the requirements discussed in the second paragraph of this report. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs.

The State's basic financial statements include the operations of the University System of New Hampshire (UNH), Pease Development Authority (PDA), the Community Development Finance Authority (CDFA), and the Community College System of New Hampshire (CCSNH), which received federal awards which are not included in the State's schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, described below, did not include the activities of PDA, CDFA, and CCSNH because those component units engaged other auditors to perform audits in accordance with OMB Circular A-133.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in the compliance supplement that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the State's compliance.

***Basis for Qualified Opinions on Certain Major Federal Programs***

As described in the accompanying schedule of current year findings and questioned costs, the State did not comply with certain requirements that are applicable to certain of its major federal programs, as detailed below. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the identified major federal programs.

| Finding # | CFDA # | Program Name | Compliance Requirement |
|---|---|---|---|
| 2014-005 | 93.778 | Medical Assistance Program (ARRA) | Special Test-Utilization Control and Program Integrity |
| 2014-007 | 93.069/ 93.268/ 93.558/ 93.563/ 93.658/ 93.667 | Public Health Emergency Preparedness<br>Immunization Grant Program<br>Temporary Assistance to Needy Families<br>Child Support Enforcement<br>Foster Care Title IV-E<br>Social Services Block Grant | Allowable Costs |
| 2014-009 | 93.667 | Social Services Block Grant | Subrecipient Monitoring |
| 2014-010 | 93.069/ 93.268/<br>93.563/ 93.575/<br>93.596/ 93.889 | Public Health Emergency Preparedness<br>Immunization Grant Program<br>Child Support Enforcement<br>Child Care and Development Block Grant/ Child Care Mandatory and Matching Funds<br>Hospital Preparedness | Allowable Costs |
| 2014-013 and<br>2014-014 | 93.959 | Block Grants for the Prevention of Substance Abuse | Subrecipient Monitoring and<br>Special Test-Independent Peer Review |

| | | | |
|---|---|---|---|
| 2014-020 | 93.044/ 93.045/ 93.053 | Special Programs for the Aging- Title III, Part B and Title III, Part C<br>Nutrition Services Incentive Program | Allowable Costs and Subrecipient Monitoring |
| 2014-026 | 97.036 | Disaster Grants – Public Assistance | Subrecipient Monitoring |
| 2014-028 | 15.605/ 15.611 | Sport Fish Restoration Program<br>Wildlife Restoration and Basic Hunter Education | Subrecipient Monitoring |
| 2014-039 | 64.015 | Veterans State Nursing Home | Eligibility and Reporting |

***Qualified Opinions on Major Federal Programs***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions on Certain Major Federal Programs* paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2014.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2014-004, 2014-008, 2014-011, 2014-012, 2014-015, 2014-016, 2014-017, 2014-018, 2014-019, 2014-021, 2014-022, 2014-024, 2014-025, 2014-027, 2014-029, 2014-030, 2014-031, 2014-032, 2014-033, 2014-034, 2014-035, 2014-036, 2014-037, 2014-038, 2014-040, 2014-041, 2014-042, 2014-043, 2014-044. Our opinion on each of these major federal programs is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control over Compliance**

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of

expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of current year findings and questioned costs as Findings 2014-003, 2014-005, 2014-007, 2014-008, 2014-009, 2014-010, 2014-013, 2014-014, 2014-017, 2014-020, 2014-023, 2014-024, 2014-026, 2014-028, 2014-029, 2014-031, 2014-034, 2014-039, 2014-040, 2014-041, 2014-042 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2014-004, 2014-006, 2014-011, 2014-012, 2014-016, 2014-018, 2014-019, 2014-021, 2014-022, 2014-025, 2014-027, 2014-030, 2014-032, 2014-033, 2014-035, 2014-036, 2014-037, 2014-038, 2014-043, 2014-044 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 31, 2014 which referred to the use of the reports of other auditors and which contained unmodified opinions on those financial statements. Our report

included an emphasis of matter paragraph noting the State's adoption of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* in the fiscal year ended June 30, 2014.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

March 27, 2015

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Agriculture** | | | | | |
| 1800 | 10.025 | Plant And Animal Disease, Pest Control, And Animal Care | 137,659 | | 0% |
| 1800 | 10.162 | Inspection Grading And Standardization | 20,399 | | 0% |
| 9500 | 10.477 | Meat, Poultry, And Egg Products Inspection | 120,216 | | 0% |
| **9500** | **10.551** | **Supplemental Nutrition Assistance Program (Notes 3,7)** | **147,280,668** | | **0%** |
| **5600** | **10.553** | **School Breakfast Program (Note 7)** | **5,669,686** | | **100%** |
| **1400** | **10.555** | **National School Lunch Program (Note 7)** | **4,038,303** | | **100%** |
| **5600** | | | **25,086,936** | | **100%** |
| | | **10.555 CFDA Total** | **29,125,239** | | **100%** |
| **5600** | **10.556** | **Special Milk Program For Children (Note 7)** | **181,386** | | **100%** |
| **9500** | **10.557** | **Special Supplemental Nutrition Program For Women, Infants And Children** | **9,700,257** | | **30%** |
| 1400 | 10.558 | Child And Adult Care Food Program (Note 3) | 152,686 | | 100% |
| 5600 | | | 4,467,572 | | 99% |
| | | 10.558 CFDA Total | 4,620,258 | | 99% |
| **1400** | **10.559** | **Summer Food Service Program For Children (Note 7)** | **5,451** | | **100%** |
| **5600** | | | **849,940** | | **98%** |
| | | **10.559 CFDA Total** | **855,391** | | **98%** |
| 1400 | 10.560 | State Administrative Expenses For Child Nutrition | 343,902 | | 0% |
| 5600 | | | 616,622 | | 0% |
| | | 10.560 CFDA Total | 960,524 | | 0% |
| **9500** | **10.561** | **State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 7)** | **8,292,095** | | **0%** |
| 9500 | 10.565 | Commodity Supplemental Food Program (Note 3,7) | 1,822,258 | | 22% |
| 1400 | 10.568 | Emergency Food Assistance Program (Administrative Costs) (Note 7) | 168,490 | | 93% |
| 1400 | 10.569 | Emergency Food Assistance Program (Food Commodities) (Notes 3,7) | 921,253 | | 100% |
| 9500 | 10.576 | Senior Farmers Market Nutrition Program | 84,591 | | 100% |
| 5600 | 10.579 | Child Nutrition Discretionary Grants Limited Availability | 200,319 | | 0% |
| 5600 | 10.582 | Fresh Fruit And Vegetable Program | 1,891,508 | | 98% |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| 3500 | 10.664 | Cooperative Forestry Assistance | 819,460 | | 28% |
| 5600 | 10.665 | Schools And Roads - Grants To States | 500,716 | | 100% |
| 4400 | 10.762 | Solid Waste Management Grants | 46,902 | | 0% |
| 1800 | 10.902 | Soil And Water Conservation | 9,859 | | 0% |
| 7500 | 10.912 | Environmental Quality Incentives Program (EQIP) | 390 | | 0% |
| 7500 | 10.914 | Wildlife Habitat Incentive Program | 77,179 | | 0% |
| 1800 | 10.917 | Agricultural Management Assistance | 242,099 | | 0% |
| | | **Department of Agriculture Total:** | **213,748,802** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Commerce** | | | | | |
| 7500 | 11.407 | Interjurisdictional Fisheries Act Of 1986 | 3,528 | | 0% |
| 4400 | 11.419 | Coastal Zone Management Administration Awards | 795,560 | | 14% |
| 7500 | 11.420 | Coastal Zone Management Estuarine Research Reserves | 575,796 | | 0% |
| 4400 | 11.452 | Unallied Industry Projects | 20,740 | | 96% |
| 7500 | 11.474 | Atlantic Coastal Fisheries Cooperative Management Act | 95,503 | | 0% |
| 2300 | 11.549 | State and Local Implementation Grant Program (SLIGP) | 2,471 | | 0% |
| 9600 | 11.557 | Broadband Technology Opportunities Program (BTOP) | 119,610 | ARRA | 0% |
| 7500 | 11.999 | No Program Title | 282,490 | | 0% |
| | | **Department of Commerce Total:** | **1,895,698** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Defense** | | | | | |
| 3500 | 12.002 | Procurement Technical Assistance For Business Firms | 191,961 | | 0% |
| 4400 | 12.113 | State Memorandum Of Agreement Program For The Reimbursement Of Technical Services | 290,522 | | 0% |
| 1200 | 12.400 | Military Construction, National Guard | 1,430,181 | | 0% |
| **1200** | **12.401** | **National Guard Military Operations And Maintenance (O&M) Projects** | **193,967** | **ARRA** | **0%** |
| | | | **17,751,843** | | **0%** |
| | | **12.401 CFDA Total** | **17,945,810** | | **0%** |
| | | **Department of Defense Total:** | **19,858,474** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Housing and Urban Development** | | | | | |
| 9500 | 14.231 | Emergency Solutions Grant Program | 983,113 | | 97% |
| 9500 | 14.235 | Supportive Housing Program | 2,292,222 | | 97% |
| 9500 | 14.238 | Shelter Plus Care | 617,513 | | 100% |
| 9500 | 14.241 | Housing Opportunities For Persons With AIDS | 548,338 | | 98% |
| | | **Department of Housing and Urban Development Total:** | **4,441,186** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of the Interior** | | | | | |
| **7500** | **15.605** | **Sport Fish Restoration Program (Note 7)** | **3,830,509** | | **0%** |
| **7500** | **15.611** | **Wildlife Restoration And Basic Hunter Education (Note 7)** | **3,085,126** | | **17%** |
| 3500 | 15.615 | Cooperative Endangered Species Conservation Fund | 49,591 | | 0% |
| 7500 | | | 26,815 | | 0% |
| | | 15.615 CFDA Total | 76,406 | | 0% |
| 4400 | 15.616 | Clean Vessel Act | 118,589 | | 10% |
| 7500 | 15.626 | Enhanced Hunter Education And Safety Program | 35,651 | | 0% |
| 4400 | 15.631 | Partners For Fish And Wildlife | 44,230 | | 0% |
| 7500 | 15.633 | Landowner Incentive Program | 20,546 | | 100% |
| 7500 | 15.634 | State Wildlife Grants | 1,220,045 | | 28% |
| 7500 | 15.655 | Migratory Bird Monitoring, Assessment and Conservation | 1,992 | | 0% |
| 7500 | 15.657 | Endangered Species Conservation - Recovery Implementation Funds | 14,617 | | 0% |
| 4400 | 15.808 | U.S. Geological Survey - Research And Data Collection | 28,350 | | 0% |
| 4400 | 15.810 | National Cooperative Geologic Mapping Program | 69,798 | | 0% |
| 3400 | 15.904 | Historic Preservation Fund Grants-In-Aid | 697,921 | | 100% |
| 3500 | 15.916 | Outdoor Recreation - Acquisition, Development And Planning | 174,087 | | 0% |
| 3400 | 15.957 | HPF Emergency Supplemental Sandy Relief | 17,334 | | 100% |
| | | **Department of the Interior Total:** | **9,435,201** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Justice** | | | | | |
| 1000 | 16.013 | Violence Against Women Act Court Training and Improvement Grants | 2,816 | | 0% |
| 2000 | 16.017 | Sexual Assault Services Formula Program | 189,206 | | 96% |
| 9500 | 16.523 | Juvenile Accountability Block Grants | 227,607 | | 0% |
| 2000 | 16.527 | Supervised Visitation, Safe Havens For Children | 202,695 | | 100% |
| 2000 | 16.528 | Enhanced Training And Services To End Violence And Abuse Of Women Later In Life | 34,039 | | 50% |
| 9500 | 16.540 | Juvenile Justice And Delinquency Prevention - Allocation To States | 551,599 | | 0% |
| 2000 | 16.542 | Part D - Research, Evaluation, Technical Assistance And Training | 117,543 | | 97% |
| 9500 | 16.548 | Title V - Delinquency Prevention Program | 44,355 | | 0% |
| 2000 | 16.550 | State Justice Statistics Program For Statistical Analysis Centers | 3,266 | | 0% |
| 2000 | 16.554 | National Criminal History Improvement Program (NCHIP) | 129,450 | | 100% |
| 2000 | 16.560 | National Institute Of Justice Research, Evaluation, And Development Project Grants | 104,860 | | 43% |
| 2000 | 16.575 | Crime Victim Assistance | 2,054,026 | | 95% |
| 4600 | | | 139,826 | | 0% |
| | | 16.575 CFDA Total | 2,193,852 | | 89% |
| 2000 | 16.576 | Crime Victim Compensation | 288,450 | | 100% |
| 2000 | 16.579 | Edward Byrne Memorial Formula Grant Program | 921,701 | | 6% |
| 2000 | 16.582 | Crime Victim Assistance/Discretionary Grants | 71,689 | | 0% |
| 2000 | 16.585 | Drug Court Discretionary Grant Program | 102,852 | | 0% |
| 2000 | 16.588 | Violence Against Women Formula Grants | 1,088,012 | | 88% |
| 2000 | 16.593 | Residential Substance Abuse Treatment For State Prisoners | 107,173 | | 94% |
| 4600 | 16.606 | State Criminal Alien Assistance Program | 22,283 | | 0% |
| 2000 | 16.609 | Project Safe Neighborhoods | 21,788 | | 100% |
| 4600 | | | 21,283 | | 0% |
| | | 16.609 CFDA Total | 43,071 | | 51% |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| 2300 | 16.710 | Public Safety Partnership And Community Policing Grants | 651,781 | | 0% |
| 2000 | 16.740 | Statewide Automated Victim Information Notification (SAVIN) Program | 742 | | 100% |
| 4600 | | | 808 | | 0% |
| | | 16.740 CFDA Total | 1,550 | | 48% |
| 2300 | 16.741 | DNA Backlog Reduction Program | 199,387 | | 0% |
| 2300 | 16.750 | Support For Adam Walsh Act Implementation Grant Program | 48,702 | | 0% |
| 4600 | 16.751 | Edward Byrne Memorial Competitive Grant Program | 163,569 | | 0% |
| 2300 | 16.753 | Congressionally Recommended Awards | 219,194 | | 0% |
| 2000 | 16.754 | Harold Rogers Prescription Drug Monitoring Program | 16,470 | | 0% |
| 2000 | 16.803 | Recovery Act: Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To States And Territories | 281,669 | ARRA | 75% |
| 2000 | 16.812 | Second Chance Act Prisoner Reentry Initiative | 33,467 | | 100% |
| 2000 | 16.816 | John R Justice Prosecutors And Defenders Incentive Act | 39,095 | | 88% |
| 4600 | 16.922 | Equitable Sharing Program | 13,104 | | 0% |
| 2300 | 16.999 | No Program Title | 164,728 | | 0% |
| | | **Department of Justice Total:** | **8,279,235** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Labor** | | | | | |
| 2700 | 17.002 | Labor Force Statistics | 849,795 | | 0% |
| 3200 | 17.005 | Compensation And Working Conditions | 19,800 | | 0% |
| 2700 | 17.207 | Employment Service/Wagner - Peyser Funded Activities (Note 7) | 2,977,579 | | 0% |
| **2700** | **17.225** | **Unemployment Insurance (Note 4)** | **121,679,007** | | **0%** |
| 3500 | 17.235 | Senior Community Service Employment Program | 443,538 | | 98% |
| 2700 | 17.245 | Trade Adjustment Assistance | 1,157,000 | | 0% |
| 3500 | 17.258 | WIA Adult Program (Note 7) | 2,345,219 | | 95% |
| 3500 | 17.259 | WIA Youth Activities (Note 7) | 1,702,590 | | 95% |
| 3500 | 17.267 | Incentive Grants - WIA Section 503 | 636,506 | | 100% |
| 2700 | 17.271 | Work Opportunities Tax Credit Program (WOTC) | 77,692 | | 0% |
| 2700 | 17.273 | Temporary Labor Certification For Foreign Workers | 27,150 | | 0% |
| 3500 | 17.276 | Health Care Tax Credit (HCTC) National Emergency Grants (NEGs) | 267,991 | ARRA | 100% |
| 3500 | 17.277 | Workforce Investment Act (WIA) National Emergency Grants | 1,082,299 | | 99% |
| 3500 | 17.278 | WIA Dislocated Formula Grants (Note 7) | 2,482,436 | | 95% |
| 3500 | 17.600 | Mine Health And Safety Grants | 21,556 | | 22% |
| 2700 | 17.801 | Disabled Veterans` Outreach Program (DVOP) (Note 7) | 514,256 | | 0% |
| 2700 | 17.804 | Local Veterans` Employment Representative Program (Note 7) | 228,321 | | 0% |
| | | **Department of Labor Total:** | **136,512,735** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Transportation** | | | | | |
| 9600 | 20.106 | Airport Improvement Program (Note 6) | 3,999,690 | | 100% |
| **9600** | **20.205** | **Highway Planning And Construction (Note 7)** | **192,616,781** | | **9%** |
| 2300 | 20.218 | National Motor Carrier Safety | 989,592 | | 0% |
| **3500** | **20.219** | **Recreational Trails Program (Note 7)** | **1,011,766** | | **0%** |
| 2300 | 20.240 | Fuel Tax Evasion-Intergovernmental Enforcement Effort | 7,179 | | 0% |
| 9600 | 20.319 | High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants | 543,570 | | 0% |
| 9600 | 20.500 | Federal Transit - Capital Investment Grants (Note 7) | 379,137 | | 100% |
| 9600 | 20.507 | Federal Transit - Formula Grants (Note 7) | 1,099,393 | | 100% |
| 9600 | 20.509 | Formula Grants For Rural Areas | 3,776,583 | | 90% |
| 9600 | 20.513 | Enhanced Mobility Of Seniors And Individuals With Disabilities (Note 7) | 1,831,014 | | 97% |
| 9600 | 20.516 | Job Access - Reverse Commute (Note 7) | 93,380 | | 100% |
| 9600 | 20.521 | New Freedom Program (Note 7) | 93,660 | | 100% |
| 9600 | 20.522 | Alternative Analysis | 682,688 | | 100% |
| 2300 | 20.600 | State And Community Highway Safety (Note 7) | 21,649 | | 0% |
| 2500 | | | 1,876,825 | | 72% |
| | | 20.600 CFDA Total | 1,898,474 | | 71% |
| 2500 | 20.601 | Alcohol Impaired Driving Countermeasures Incentive Grants I (Note 7) | 807,846 | | 100% |
| 2500 | 20.610 | State Traffic Safety Information System Improvement Grants (Note 7) | 366,996 | | 97% |
| 2500 | 20.612 | Incentive Grant Program To Increase Motorcyclist Safety (Note 7) | 141,653 | | 100% |
| 8100 | 20.700 | Pipeline Safety Program State Base Grant | 602,385 | | 0% |
| 2300 | 20.703 | Interagency Hazardous Materials Public Sector Training And Planning Grants | 92,258 | | 97% |
| 8100 | 20.721 | PHMSA Pipeline Safety Program One Call Grant | 40,864 | | 0% |
| | | **Department of Transportation Total:** | **211,074,909** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Equal Employment Opportunity Commission** | | | | | |
| 7600 | 30.002 | Employment Discrimination - State And Local Fair Employment Practices Agency Contracts | 81,846 | | 0% |
| | | **Equal Employment Opportunity Commission Total:** | **81,846** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **General Services Administration** | | | | | |
| 1400 | 39.003 | Donation Of Federal Surplus Personal Property (Note 3) | 74,091 | | 100% |
| 3200 | 39.011 | Election Reform Payments (Note 5) | 78,405 | | 0% |
| | | **General Services Administration Total:** | **152,496** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **National Endowment for the Arts** | | | | | |
| 3400 | 45.025 | Promotion of The Arts - Partnership Agreements | 685,428 | | 100% |
| 3400 | 45.310 | Grants To States | 1,394,223 | | 100% |
| | | **National Endowment for the Arts Total:** | **2,079,651** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Small Business Administration** | | | | | |
| 3500 | 59.061 | State Trade And Export Promotion Pilot Grant Program | 420,975 | | 0% |
| | | **Small Business Administration Total:** | **420,975** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Veterans Administration** | | | | | |
| **4300** | **64.015** | **Veterans State Nursing Home Care** | **8,254,665** | | **0%** |
| 1200 | 64.101 | Burial Expenses Allowance For Veterans | 375,327 | | 0% |
| 5600 | 64.124 | All-Volunteer Force Educational Assistance | 170,279 | | 0% |
| | | **Veterans Administration Total:** | **8,800,271** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Environmental Protection Agency** | | | | | |
| 4400 | 66.040 | State Clean Diesel Grant Program | 153,496 | | 97% |
| 4400 | 66.436 | Surveys, Studies, Investigations, Demonstrations, and Training Grants And Cooperative Agreements - Section 104 (B)(3) Of The Clean Water Act | 8,463 | | 0% |
| 4400 | 66.454 | Water Quality Management Planning | 115,557 | | 27% |
| **4400** | **66.458** | **Capitalization Grants For Clean Water State Revolving Funds** | **29,200,463** | | **98%** |
| 4400 | 66.460 | Nonpoint Source Implementation Grants | 736,467 | | 61% |
| 4400 | 66.461 | Regional Wetland Program Development Grants | 192,693 | | 20% |
| **4400** | **66.468** | **Capitalization Grants For Drinking Water State Revolving Fund** | **10,074,774** | | **77%** |
| 4400 | 66.472 | Beach Monitoring And Notification Program Implementation Grants | 139,859 | | 0% |
| 4400 | 66.474 | Water Protection Grants To The States | 1,727 | | 14% |
| **1800** | **66.605** | **Performance Partnership Grants** | **6,424** | | **0%** |
| **4400** | | | **5,712,035** | | **5%** |
| | | **66.605 CFDA Total** | **5,718,459** | | **5%** |
| 4400 | 66.606 | Surveys, Studies, Investigations And Special Purpose Grants | 184,403 | | 0% |
| 4400 | 66.608 | Environmental Information Exchange Network Grant Program And Related Assistance | 94,186 | | 0% |
| 1800 | 66.700 | Consolidated Pesticide Enforcement Cooperative Agreements | 304,019 | | 0% |
| 4400 | 66.701 | Toxic Substances Compliance Monitoring Cooperative Agreements | 123,099 | | 0% |
| 9500 | 66.707 | TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals | 210,342 | | 0% |
| 4400 | 66.708 | Pollution Prevention Grants Program | 163,310 | | 0% |
| 4400 | 66.802 | Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements | 1,331,881 | | 0% |
| 4400 | 66.804 | Underground Storage Tank Prevention, Detection, And Compliance Program | 290,008 | | 0% |
| 4400 | 66.805 | Leaking Underground Storage Tank Trust Fund Corrective Action Program | 378,418 | | 0% |
| 4400 | 66.817 | State And Tribal Response Program Grants | 833,083 | | 0% |
| 4400 | 66.818 | Brownfields Assessment And Cleanup Cooperative Agreements | 60,000 | ARRA | 0% |
| 4400 | | | 110,069 | | 82% |
| | | 66.818 CFDA Total | 170,069 | | 53% |
| | | **Environmental Protection Agency Total:** | **50,424,776** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|---|
| **Department of Energy** | | | | | | |
| 0240 | 81.041 | State Energy Program | | 276,108 | ARRA | 97% |
| 0240 | | | | 302,424 | | 19% |
| | | | 81.401 CFDA Total | 578,532 | | 56% |
| 0240 | 81.042 | Weatherization Assistance For Low-Income Persons | | 21,779 | ARRA | 41% |
| 0240 | | | | 1,016,389 | | 86% |
| | | | 81.042 CFDA Total | 1,038,168 | | 85% |
| 4400 | 81.087 | Renewable Energy Research And Development | | 115,279 | | 0% |
| 0240 | 81.119 | State Energy Program Special Projects | | 228,949 | | 92% |
| 0240 | 81.128 | Energy Efficiency and Conservation Block Grant Program | | 2,152,799 | ARRA | 88% |
| | | | **Department of Energy Total:** | **4,113,727** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Education** | | | | | |
| 4600 | 84.002 | Adult Education - Basic Grants To States | 31,662 | | 0% |
| 5600 | | | 1,719,333 | | 83% |
| | | 84.002 CFDA Total | 1,750,995 | | 81% |
| **5600** | **84.010** | **Title I Grants To Local Educational Agencies** | **40,000,813** | | **98%** |
| 5600 | 84.011 | Migrant Education - State Grant Program | 220,247 | | 24% |
| 5600 | 84.013 | Title I State Agency Program For Neglected And Delinquent Children And Youth | 455,356 | | 99% |
| **5600** | **84.027** | **Special Education - Grants To States (Note 7)** | **46,164,892** | | **96%** |
| **5600** | **84.048** | **Career And Technical Education - Basic Grants To States** | **4,727,552** | | **90%** |
| **5600** | **84.126** | **Rehabilitation Services - Vocational Rehabilitation Grants To States** | **12,372,678** | | **38%** |
| 5600 | 84.144 | Migrant Education - Coordination Program | 189,275 | | 59% |
| 0205 | 84.161 | Rehabilitation Services - Client Assistance Program | 96,736 | | 0% |
| 5600 | 84.169 | Independent Living - State Grants | 320,113 | | 91% |
| **5600** | **84.173** | **Special Education - Preschool Grants (Note 7)** | **1,408,315** | | **95%** |
| 5600 | 84.177 | Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind | 245,408 | | 47% |
| 9500 | 84.181 | Special Education Grants For Infants And Families | 1,564,471 | | 71% |
| 5600 | 84.187 | Supported Employment Services For Individuals With The Most Significant Disabilities | 261,534 | | 100% |
| 5600 | 84.196 | Education For Homeless Children And Youth | 248,975 | | 83% |
| 5600 | 84.265 | Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training | 38,874 | | 0% |
| 5600 | 84.282 | Charter Schools | 2,264,294 | | 95% |
| **5600** | **84.287** | **Twenty-First Century Community Learning Centers** | **5,619,499** | | **96%** |
| 5600 | 84.318 | Educational Technology State Grants | 24 | | 100% |
| 5600 | 84.323 | Special Education - State Personnel Development | 655,042 | | 79% |
| 5600 | 84.330 | Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | 23,055 | | 100% |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| 5600 | 84.358 | Rural Education | 604,666 | | 94% |
| 5600 | 84.365 | English Language Acquisition State Grants | 953,925 | | 81% |
| 5600 | 84.366 | Mathematics And Science Partnerships | 960,002 | | 90% |
| **5600** | **84.367** | **Improving Teacher Quality State Grants** | **10,616,296** | | **97%** |
| 5600 | 84.369 | Grants For State Assessments And Related Activities | 4,007,917 | | 82% |
| 5600 | 84.372 | Statewide Data Systems | 1,178,522 | | 68% |
| **5600** | **84.377** | **School Improvement Grants (Note 7)** | **1,447,734** | | **94%** |
| 5600 | 84.378 | College Access Challenge Grant Program | 742,420 | | 92% |
| **5600** | **84.388** | **School Improvement Grants Recovery Act (Note 7)** | **1,215,527** | **ARRA** | **100%** |
| 5600 | 84.999 | No Program Title | 230,589 | | 0% |
| | | **Department of Education Total:** | **140,585,746** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **U.S. Election Assistance Commission** | | | | | |
| 3200 | 90.401 | Help America Vote Act Requirements Payments (Note 5) | 895,306 | | 0% |
| | | **U.S. Election Assistance Commission Total:** | **895,306** | | |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Health and Human Services** | | | | | |
| 9500 | 93.006 | State And Territorial And Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program | 101,913 | | 0% |
| 9500 | 93.041 | Special Programs for the Aging - Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 23,877 | | 0% |
| 9500 | 93.042 | Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals | 97,177 | | 0% |
| 9500 | 93.043 | Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services | 66,700 | | 100% |
| **9500** | **93.044** | **Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 7)** | **1,387,617** | | **71%** |
| **9500** | **93.045** | **Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 7)** | **4,157,353** | | **100%** |
| 9500 | 93.048 | Special Programs For The Aging - Title IV - And Title II - Discretionary Projects | 198,580 | | 0% |
| 9500 | 93.052 | National Family Caregiver Support, Title III, Part E | 647,719 | | 100% |
| **9500** | **93.053** | **Nutrition Services Incentive Program (Note 7)** | **1,024,423** | | **100%** |
| **9500** | **93.069** | **Public Health Emergency Preparedness** | **4,816,287** | | **38%** |
| 9500 | 93.070 | Environmental Public Health And Emergency Response | 536,967 | | 45% |
| 9500 | 93.071 | Medicare Enrollment Assistance Program | 14,973 | | 0% |
| 9500 | 93.072 | Lifespan Respite Care Program | 63,589 | | 73% |
| 5600 | 93.079 | Promoting the Health of NH Youth School Based HIV/STD Prevention | 33,974 | | 0% |
| 9500 | 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program | 236,880 | | 100% |
| 9500 | 93.093 | Affordable Care Act (ACA) Health Profession Opportunity Grants | 2,912,716 | | 0% |
| 9500 | 93.110 | Maternal And Child Health Federal Consolidated Programs | 322,672 | | 43% |
| 9500 | 93.116 | Project Grants And Cooperative Agreements For Tuberculosis Control Program | 270,089 | | 0% |
| 9500 | 93.130 | Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices | 141,437 | | 0% |
| 9500 | 93.136 | Injury Prevention And Control Research And State And Community Based Programs | 162,673 | | 94% |
| 9500 | 93.150 | Projects For Assistance In Transition From Homelessness (PATH) | 300,000 | | 96% |
| 9500 | 93.197 | Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 25,190 | | 0% |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| 4400 | 93.204 | Surveillance of Hazardous Substance Emergency Events | 269,563 | | 0% |
| 9500 | 93.217 | Family Planning - Services | 756,456 | | 68% |
| 9500 | 93.235 | Affordable Care Act (ACA) Abstinence Education Program | 29,718 | | 100% |
| 9500 | 93.236 | Grants To States To Support Oral Health Workforce Activities | 497,992 | | 100% |
| 9500 | 93.241 | State Rural Hospital Flexibility Program | 186,454 | | 0% |
| | 93.243 | Substance Abuse and Mental Health Services - Projects of Regional and | | | |
| 5600 | | National Significance | 18,863 | | 93% |
| 9500 | | | 1,784,557 | | 7% |
| | | 93.243 CFDA Total | 1,803,420 | | 8% |
| 9500 | 93.251 | Universal Newborn Hearing Screening | 143,168 | | 0% |
| 9500 | 93.262 | Occupational Safety And Health Program | 110,479 | | 0% |
| **9500** | **93.268** | **Immunization Cooperative Agreements (Note 3)** | **10,268,569** | | **2%** |
| 9500 | 93.270 | Adult Viral Hepatitis Prevention And Control | 20,648 | | 0% |
| 9500 | 93.275 | Substance Abuse And Mental Health Services - Access To Recovery | 2,892,991 | | 0% |
| 9500 | 93.283 | Affordable Care Act: Centers For Disease Control And Prevention - Investigations And Technical | 4,213,298 | | 2% |
| 9500 | 93.292 | National Public Health Improvement Initiative | 270,374 | | 0% |
| 9500 | 93.301 | Small Rural Hospital Improvement Grant Program | 17,075 | | 0% |
| 9500 | 93.448 | Food Safety And Security Monitoring Project | 579,973 | | 0% |
| 9500 | 93.505 | Affordable Care Act (ACA) Maternal, Infant, And Early Childhood Home Visiting Program | 1,117,866 | | 96% |
| 2400 | 93.511 | Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review | 825,945 | | 0% |
| 9500 | 93.517 | Affordable Care Act – Aging and Disability Resource Center | 467,996 | | 0% |
| 9500 | 93.519 | Consumer Assistance Program | 862,724 | | 96% |
| 9500 | 93.521 | The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity | 829,392 | | 0% |
| 2400 | 93.525 | State Planning And Establishment Grants For The Affordable Care Act (ACA)s Exchanges | 750,670 | | 0% |

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**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| 9500 | 93.536 | The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project | 2,321,416 | | 91% |
| 9500 | 93.538 | Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation | 553,633 | | 4% |
| 9500 | 93.544 | The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated | 167,607 | | 24% |
| 9500 | 93.548 | PPHF 2013: State Nutrition, Physical Activity and Obesity Program - financed in part by 2013 PPHF | 29 | | 0% |
| 9500 | 93.556 | Promoting Safe And Stable Families | 622,628 | | 0% |
| **9500** | **93.558** | **Temporary Assistance For Needy Families (TANF)** | **28,095,771** | | **0%** |
| **2700** | **93.563** | **Child Support Enforcement** | **3,888** | | **0%** |
| **9500** | | | **12,517,953** | | **0%** |
| | | **93.563 CFDA Total** | **12,521,841** | | **0%** |
| 9500 | 93.566 | Refugee And Entrant Assistance - State Administered Programs | 1,338,470 | | 0% |
| **0240** | **93.568** | **Low-Income Home Energy Assistance** | **25,275,364** | | **99%** |
| 9500 | 93.569 | Community Services Block Grant | 3,450,848 | | 0% |
| **9500** | **93.575** | **Child Care and Development Block Grant (Note 7)** | **7,884,757** | | **0%** |
| 9500 | 93.576 | Refugee And Entrant Assistance - Discretionary Grants | 301,246 | | 0% |
| 9500 | 93.584 | Refugee And Entrant Assistance - Targeted Assistance Grants | 166,549 | | 0% |
| 1000 | 93.586 | State Court Improvement Program | 377,333 | | 0% |
| **9500** | **93.596** | **Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 7)** | **12,984,907** | | **0%** |
| 9500 | 93.597 | Grants To States For Access And Visitation Programs | 56,131 | | 0% |
| 9500 | 93.599 | Chafee Education And Training Vouchers Program (ETV) | 186,880 | | 0% |
| 9500 | 93.600 | Head Start | 125,725 | | 0% |
| 9500 | 93.603 | Adoption Incentive Payments | 223,537 | | 0% |
| 9500 | 93.609 | The Affordable Care Act – Medicaid Adult Quality Grants | 516,591 | | 0% |
| 9500 | 93.624 | ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance | 756,960 | | 99% |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| 9700 | 93.630 | Developmental Disabilities Basic Support And Advocacy Grants | 479,217 | | 0% |
| 2000 | 93.643 | Children's Justice Grants To States | 91,335 | | 0% |
| 9500 | 93.645 | Stephanie Tubbs Jones Child Welfare Services Program | 1,286,992 | | 0% |
| 9500 | 93.652 | Adoption Opportunities | 91,373 | | 0% |
| **9500** | **93.658** | **Foster Care - Title IV-E** | **15,040,823** | | **0%** |
| 9500 | 93.659 | Adoption Assistance | 3,705,863 | | 0% |
| **9500** | **93.667** | **Social Services Block Grant** | **9,321,607** | | **0%** |
| 9500 | 93.669 | Child Abuse And Neglect State Grants | 60,743 | | 0% |
| 9500 | 93.671 | Family Violence Prevention And Services / Battered Women's Shelters - Grants To States And Indian Tribes | 813,471 | | 0% |
| 9500 | 93.674 | Chafee Foster Care Independent Program | 363,885 | | 0% |
| 9500 | 93.719 | ARRA - State Grants to Promote Health Information Technology | 2,181,907 | ARRA | 0% |
| 9500 | 93.733 | Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance | 105,825 | | 0% |
| 9500 | 93.735 | State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and P | 52,974 | | 100% |
| 9500 | 93.744 | PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories sol | 29,731 | | 0% |
| 9500 | 93.767 | Children`s Health Insurance Program | 148,779 | | 0% |
| **2000** | **93.775** | **State Medicaid Fraud Control Units (Note 7)** | **517,927** | | **0%** |
| **9500** | **93.777** | **State Survey And Certification Of Health Care Providers And Suppliers (Title XVII) Medicare (Note 7)** | **2,297,152** | | **0%** |
| **9500** | **93.778** | **Medical Assistance Program (Note 7)** | **6,025,717** | **ARRA** | **0%** |
| **9500** | | | **724,772,806** | | **0%** |
| | | **93.778 CFDA Total** | **730,798,523** | | **0%** |
| 9500 | 93.779 | Centers For Medicare And Medicaid Services (CMS) Research, Demonstrations And Evaluations | 304,031 | | 0% |
| 9500 | 93.791 | Money Follows The Person Rebalancing Demonstration | 1,722,829 | | 0% |
| **9500** | **93.889** | **National Bioterrorism Hospital Preparedness Program** | **1,548,982** | | **85%** |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| 9500 | 93.913 | Grants To States For Operation Of Offices Of Rural Health | 128,526 | | 0% |
| 9500 | 93.917 | HIV Care Formula Grants | 815,528 | | 0% |
| 5600 | 93.938 | Cooperative Agreements To Support Comprehensive School Health Programs To Prevent The Spread Of HIV And Other Important Health Problems | 33,008 | | 38% |
| 9500 | 93.940 | HIV Prevention Activities - Health Department Based | 774,745 | | 0% |
| 9500 | 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 98,751 | | 0% |
| 9500 | 93.945 | Assistance Programs for Chronic Disease Prevention and Control | 451,379 | | 0% |
| 9500 | 93.946 | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 205,020 | | 0% |
| 9500 | 93.958 | Block Grants For Community Mental Health Services | 1,435,083 | | 93% |
| **9500** | **93.959** | **Block Grants For Prevention And Treatment Of Substance Abuse** | **5,845,703** | | **87%** |
| 9500 | 93.977 | Preventive Health Services - Sexually Transmitted Diseases Control Grants | 327,059 | | 0% |
| 9500 | 93.991 | Preventive Health And Health Services Block Grant | 820,965 | | 0% |
| 9500 | 93.994 | Maternal And Child Health Services Block Grant To The States | 1,536,999 | | 51% |
| | | **Department of Health and Human Services Total:** | **925,822,535** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Executive Office of the President** | | | | | |
| 4600 | 95.001 | High Intensity Drug Trafficking Areas Program | 13,079 | | 0% |
| | | **Executive Office of the President Total:** | **13,079** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Social Security Administration** | | | | | |
| **5600** | **96.001** | **Social Security - Disability Insurance** | **6,193,530** | | **42%** |
| 5600 | 96.009 | Social Security State Grants for Work Incentives Assistance To Disabled Beneficiaries | 1,203,448 | | 68% |
| | | **Social Security Administration Total:** | **7,396,978** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**State of New Hampshire**
**Schedule of Expenditures of Federal Awards**
**For The Fiscal Year Ended 6/30/2014**

| State Agency | CFDA Number | Program Title | Expenditures | ARRA | Pass Thru % |
|---|---|---|---|---|---|
| **Department of Homeland Security** | | | | | |
| 2300 | 97.012 | Boating Safety Financial Assistance | 958,243 | | 0% |
| 0240 | 97.023 | Community Assistance Program - State Support Services Element (CAP-SSSE) | 105,738 | | 0% |
| 2300 | 97.029 | Flood Mitigation Assistance | 188,829 | | 99% |
| **2300** | **97.036** | **Disaster Grants - Public Assistance (Presidentially Declared Disasters)** | **7,781,226** | | **100%** |
| 2300 | 97.039 | Hazard Mitigation Grant | 603,743 | | 100% |
| 4400 | 97.041 | National Dam Safety Program | 109,847 | | 0% |
| 2300 | 97.042 | Emergency Management Performance Grants | 3,448,215 | | 0% |
| 2300 | 97.043 | State Fire Training Systems Grants | 19,058 | | 0% |
| 0240 | 97.045 | Cooperating Technical Partners (CTP) | 63,827 | | 36% |
| 2300 | 97.047 | Pre-Disaster Mitigation | 703,955 | | 99% |
| 2300 | 97.055 | Interoperable Emergency Communications | 948 | | 68% |
| 2300 | 97.067 | Homeland Security Grant Program | 4,299,188 | | 86% |
| 2300 | 97.078 | Buffer Zone Protection Program (BZPP) | 139,640 | | 100% |
| 2300 | 97.089 | Driver's License Security Grant Program | 155,276 | | 0% |
| 2300 | 97.092 | Repetitive Flood Claims | 9,273 | | 0% |
| 2300 | 97.110 | Severe Repetitive Loss Program | 359 | | 94% |
| | | **Department of Homeland Security Total:** | **18,587,365** | | |
| | | **Grand Total of All Federal Assistance:** | **1,764,620,991** | | |

The accompanying notes are an integral part of this schedule
**Bolded** programs were audited during the 2014 audit

**STATE OF NEW HAMPSHIRE**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2014**

## NOTE 1 – PURPOSE OF SCHEDULE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Purpose of Schedule

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the State's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by the U.S. Office of Management and Budget (OMB), Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

### B. Reporting Entity

The reporting entity is defined in the Notes to the basic financial statements of the State of New Hampshire, which are presented in Section C of this report. The accompanying Schedule of Expenditures of Federal Awards includes all federal financial assistance programs of the State of New Hampshire reporting entity for the year ended June 30, 2014, with the exception of the following component units identified in Note 1 of the basic financial statements. The Pease Development Authority, the University System of New Hampshire, New Hampshire Community College System, and Community Development Finance Authority component units have separate Single Audits of their federal financial assistance programs. Accordingly, the accompanying Schedule and Schedule of Current Year Findings and Questioned Costs exclude these four component units.

### C. Basis of Presentation

The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.

a. *Federal Awards* – Federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities.

b. *Federal Financial Assistance* – Pursuant to the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, and as defined by OMB Circular A-133, federal financial assistance is assistance that non-federal entities receive or administer in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, food commodities, or direct appropriations. Accordingly, nonmonetary federal assistance, as described in Note 3, is reported as federal financial assistance on the Schedule. Federal financial assistance does not include direct federal cash payments to individuals.

c. *Type A and Type B Programs* – OMB Circular A-133 establishes the levels of expenditures to be used in defining for the State of New Hampshire Type A and Type B federal financial assistance programs. Type A programs are those programs and clusters of programs that equal or exceed $5,293,863 in federal expenditures, distributions, or issuances for the year ended June 30, 2014. Type A programs are in bold print in the accompanying Schedule.

d. *Pass Thru Percent* – The amount of federal funds, expressed as a percentage of expenditures, passed through by State agencies to various non-state subrecipients.

## NOTE 1 – PURPOSE OF SCHEDULE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Basis of Accounting

Expenditures for all programs are presented in the Schedule on the cash basis of accounting. Expenditures are recorded when paid rather than when the obligation is incurred. The Schedule reflects federal expenditures for all individual grants, which were active during the fiscal year and are net of program refunds applicable to a program. Expenditures funded with American Recovery and Reinvestment Act of 2009 (ARRA) grants are separately identified on the Schedule.

## NOTE 2 - CATEGORIZATION OF EXPENDITURES

The categorization of expenditures by program included in the Schedule is based upon the Catalog of Federal Domestic Assistance (CFDA) as required by OMB Circular A-133. Changes in the categorization of expenditures occur based upon revisions to the CFDA, which is issued in June and December of each year. The Schedule reflects CFDA changes issued through June 2014. Federal programs that do not have an assigned catalog number are denoted with the three-digit suffix .999. The numerical identification of the State agency responsible for administering each federal program is also noted on the accompanying schedule. See Appendix A in section H of this report for the legend of State agency identification numbers.

## NOTE 3 - NONMONETARY FEDERAL FINANCIAL ASSISTANCE

*Supplemental Nutrition Assistance Program* – Expenditures of $147,280,668 reported in the Schedule under CFDA No. 10.551, Supplemental Nutrition Assistance Program, represent actual disbursements for client purchases of authorized food products through the use of the electronic benefits card program during the year ended June 30, 2014.

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

## NOTE 3 - NONMONETARY FEDERAL FINANCIAL ASSISTANCE (CONTINUED)

Donated Foods – The State distributes federal surplus food to institutions (schools, summer feeding programs, child and adult care facilities, hospitals and other not for profit charitable institutions) and to the needy. Expenditures are reported in the Schedule at the federally assigned value of the product distributed under the following U.S. Department of Agriculture federal programs:

| CFDA # | Federal Program | Amount |
|---|---|---|
| 10.555 | National School Lunch Program | 4,038,303 |
| 10.558 | Child and Adult Care Food Program | 152,686 |
| 10.559 | Summer Food Service Program for Children | 5,451 |
| 10.565 | Commodity Supplemental Food Program | 1,822,258 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 921,253 |
| | **Total:** | **6,939,951** |

*Donated Federal Surplus Personal Property* – The State obtains surplus property from various federal agencies at no cost. The property is then sold by the State to eligible organizations for a nominal service charge. Total federal expenditures of $74,091 reported for CFDA No. 39.003, Donation of Federal Surplus Personal Property, represent the value of the property determined by the federal government to be federal financial assistance.

*Vaccines* – The State receives various childhood vaccines from the federal Centers for Disease Control and Prevention. The vaccines are distributed to children through free clinics, local hospitals, and doctors' offices. Expenditures of $8,457,436 included on the Schedule for CFDA 93.268 Immunization Cooperative Agreements, represent the federal value assigned to the vaccines distributed.

## NOTE 4 - UNEMPLOYMENT INSURANCE

The New Hampshire Department of Employment Security administers the Unemployment Insurance Program (CFDA No. 17.225). The reported expenditures comprise the following:

| | |
|---|---|
| State UC Benefits: | 95,216,897 |
| Administrative Grants (Non-ARRA): | 16,254,208 |
| Administrative Grants (ARRA): | - |
| Federal Employees | 524,974 |
| Ex-Servicemen: | 742,224 |
| EUC08 (Non-ARRA): | 8,067,046 |
| EUC08 (ARRA): | - |
| FAC (Non-ARRA): | (74,369) |
| FAC (ARRA): | - |
| Trade Act: | 525,371 |
| Extended Benefits (Non-ARRA): | (8,118) |
| Extended Benefits (ARRA): | - |
| ATAA: | 186,774 |
| Short-Time Compensation: | 244,000 |
| DUA 4026: | - |
| Total | 121,679,007 |

## NOTE 5 - STATE ELECTION FUND – HELP AMERICA VOTE ACT (HAVA)

The State of New Hampshire received $5,000,000 from the United States General Services Administration in fiscal year 2003, in July 2004 an additional $11,596,803, and in November of 2011 an additional $1,425,000 as part of the Help America Vote Act of 2002. The funds are to be used for establishing minimum election administration standards for states and local governments with the responsibility for the administration of federal elections. For these programs (CFDA # 39.011 & 90.401) as of June 30, 2014, the State had expended a cumulative total of $9,594,510 of the $18,021,803 Election Reform payments received, leaving a remaining balance of $8,427,293.

The State of New Hampshire Office of the Secretary of State (Office) has taken a position of agreement with the National Association of Secretaries of State Resolution relative to the distinction between payments and grants. Accordingly, the Office believes that the Election Assistance Commission ("EAC") does not have the statutory authority to apply rules outside HAVA when performing its section 902(b) function in auditing States. In as much as the Office has reported these payments in this report, it is the Office's position that such reporting may not be required under the Single Audit Act, and this reporting is in no way meant to alter the position taken by the Secretary of State with respect to the character or status of these funds, or the authority of the EAC.

## NOTE 6 – AIRPORT IMPROVEMENT PROGRAM (CFDA #20.106)

The State of New Hampshire's schedule does not include funds related to the Federal Aviation Administration's Airport Improvement Program (AIP) for grants sponsored by the cities of Manchester and Lebanon and the Pease Airport Authority (except for block grants). The AIP funds included in the schedule represent those grants sponsored by the State.

## NOTE 7 - CLUSTERED PROGRAMS

OMB Circular A-133 defines a "cluster" as "a grouping of closely related programs that share common compliance requirements." The table below details the federal programs included in the Schedule that are required by OMB Circular A-133 to be "clustered" for purposes of testing federal compliance requirements and identifying Type A programs.

| CFDA # | Program Title | Expenditures |
|---|---|---|
| *Supplemental Nutrition Assistance Program (SNAP) Cluster* | | |
| 10.551 | Supplemental Nutrition Assistance Program | $147,280,668 |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 8,292,095 |
| | *SNAP Cluster Total* | $ 155,572,763 |
| *Child Nutrition Cluster* | | |
| 10.553 | School Breakfast Program | $ 5,669,686 |
| 10.555 | National School Lunch Program | 29,125,239 |
| 10.556 | Special Milk Program for Children | 181,386 |
| 10.559 | Summer Food Service Program for Children | 855,391 |
| | *Child Nutrition Cluster Total* | $ 35,831,702 |
| *Food Distribution Cluster* | | |
| 10.565 | Commodity Supplemental Food Program | $ 1,822,258 |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | 168,490 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 921,253 |
| | *Food Distribution Cluster Total* | $ 2,912,001 |
| *Fish and Wildlife Cluster* | | |
| 15.605 | Sport Fish Restoration Program | $ 3,830,509 |
| 15.611 | Wildlife Restoration and Basic Hunter Education | 3,085,126 |
| | *Fish and Wildlife Cluster Total* | $ 6,915,635 |
| *Employment Service Cluster* | | |
| 17.207 | Employment Service/Wagner – Peyser Funded Activities | $ 2,977,579 |
| 17.801 | Disabled Veterans' Outreach Program (DVOP) | 514,256 |
| 17.804 | Local Veterans' Employment Representative Program | 228,321 |
| | *Employment Service Cluster Total* | $ 3,720,156 |

**NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)**

| CFDA # | Program Title | Expenditures |
|---|---|---|
| *Workforce Investment Act (WIA) Cluster* | | |
| 17.258 | WIA Adult Program | $ 2,345,219 |
| 17.259 | WIA Youth Activities | 1,702,590 |
| 17.278 | WIA Dislocated Worker Formula Grants | 2,482,436 |
| | *WIA Cluster Total* | $ 6,530,245 |
| *Highway Planning and Construction Cluster* | | |
| 20.205 | Highway Planning And Construction | $ 192,616,781 |
| 20.219 | Recreational Trails Program | 1,011,766 |
| | *Highway Planning and Construction Cluster Total* | $ 193,628,547 |
| *Federal Transit Cluster* | | |
| 20.500 | Federal Transit - Capital Investment Grants | $ 379,137 |
| 20.507 | Federal Transit – Formula Grants | 1,099,393 |
| | *Federal Transit Cluster Total* | $ 1,478,530 |
| *Transit Services Programs Cluster* | | |
| 20.513 | Enhanced Mobility of Seniors and Individuals With Disabilities | $ 1,831,014 |
| 20.516 | Job Access – Reverse Commute | 93,380 |
| 20.521 | New Freedom Program | 93,660 |
| | *Transit Services Programs Cluster Total* | $ 2,018,054 |
| *Highway Safety Cluster* | | |
| 20.600 | State and Community Highway Safety | $ 1,898,474 |
| 20.601 | Alcohol Impaired Driving Countermeasures Incentive Grants | 807,846 |
| 20.610 | State Traffic Safety Information System Improvement Grants | 366,996 |
| 20.612 | Incentive Grant Program to Increase Motorcyclist Safety | 141,653 |
| | *Highway Safety Cluster Total* | $ 3,214,969 |
| *Special Education Cluster* | | |
| 84.027 | Special Education-Grants to States | $ 46,164,892 |
| 84.173 | Special Education-Preschool Grants | 1,408,315 |
| | *Special Education Cluster Total* | $ 47,573,207 |

**NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)**

| CFDA # | Program Title | Expenditures |
|---|---|---|
| *School Improvement Grants Cluster* | | |
| 84.377 | School Improvement Grants | $ 1,447,734 |
| 84.388 | School Improvement Grants, Recovery Act | 1,215,527 |
| | *School Improvement Grants Cluster Total* | $ 2,663,261 |
| *Aging Cluster* | | |
| 93.044 | Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers | $ 1,387,617 |
| 93.045 | Special Programs for the Aging-Title III, Part C-Nutrition | 4,157,353 |
| 93.053 | Nutrition Services Incentive Program | 1,024,423 |
| | *Aging Cluster Total* | $ 6,569,393 |
| *Child Care and Development Fund (CCDF) Cluster* | | |
| 93.575 | Child Care and Development Block Grant | $ 7,884,757 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 12,984,907 |
| | *CCDF Cluster Total* | $ 20,869,664 |
| *Medicaid Cluster* | | |
| 93.775 | State Medicaid Fraud Control Units | $ 517,927 |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 2,297,152 |
| 93.778 | Medical Assistance Program (ARRA) | 730,798,523 |
| | *Medicaid Cluster Total* | $ 733,613,602 |

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

### Part I - Summary of Auditors' Results

***Financial Statements***

| | | | | |
|---|---|---|---|---|
| Type of auditors' report issued: | **Unmodified** | | | |
| Internal control over financial reporting: | | | | |
| • Material weakness identified? | _____ | yes | X | no |
| • Significant Deficiencies identified that are not considered to be material weaknesses? | X | yes | _____ | no |
| Noncompliance material to financial statements noted? | _____ | yes | X | no |

***Federal Awards:***

| | | | | |
|---|---|---|---|---|
| Internal control over major programs: | | | | |
| • Material weakness identified? | X | yes | _____ | no |
| • Significant Deficiencies identified that are not considered to be material weaknesses? | X | yes | _____ | no |

Type of auditors' report issued on compliance for major programs:

Medical Assistance Program (ARRA)- **Qualified**
Public Health Emergency Preparedness- **Qualified**
Immunization Grant Program- **Qualified**
Temporary Assistance to Needy Families-**Qualified**
Child Support Enforcement- **Qualified**
Foster Care Title IV-E- **Qualified**
Social Services Block Grant- **Qualified**
Child Care and Development Block Grant/ Child Care Mandatory and Matching Funds-**Qualified**
Hospital Preparedness- **Qualified**
Block Grants for the Prevention of Substance Abuse- **Qualified**
Special Programs for the Aging-Title III, Part B/ Title III, Part C/ Nutrition Services Incentive Program- **Qualified**
Disaster Grants- Public Assistance- **Qualified**
Sport Fish Restoration Program/ Wildlife Restoration and Basic Hunter Education- **Qualified**
Veterans State Nursing Home- **Qualified**
All Other Major Programs - **Unmodified**

| | | | | |
|---|---|---|---|---|
| Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133. | X | yes | _____ | no |

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

***Identification Of Major Programs***

| CFDA Number | *NAME OF FEDERAL PROGRAM OR CLUSTER* |
|---|---|
| *Supplemental Nutrition Assistance Program Cluster* | |
| 10.551 | Supplemental Nutrition Assistance Program |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| *Child Nutrition Cluster* | |
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program |
| 10.556 | Special Milk Program for Children |
| 10.559 | Summer Food Service Program for Children |
| *Fish and Wildlife Cluster* | |
| 15.605 | Sport Fish Restoration Program |
| 15.611 | Wildlife Restoration and Basic Hunter Education |
| *Highway Planning and Construction Cluster* | |
| 20.205 | Highway Planning and Construction |
| 20.219 | Recreational Trails Program |
| *Special Education Cluster* | |
| 84.027 | Special Education-Grants to States |
| 84.173 | Special Education-Preschool Grants |
| *School Improvement Grants Cluster* | |
| 84.377 | School Improvement Grants |
| 84.388 | School Improvement Grants Recovery Act |
| *Aging Cluster* | |
| 93.044 | Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers |
| 93.045 | Special Programs for the Aging – Title III, Part C – Nutrition Services |
| 93.053 | Nutrition Services Incentive Program |
| *Child Care and Development Fund (CCDF) Cluster* | |
| 93.575 | Child Care and Development Block Grant |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund |

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

*Medicaid Cluster*

| | |
|---|---|
| 93.775 | State Medicaid Fraud Control Units |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare |
| 93.778 | Medical Assistance Program (ARRA) |

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

***Identification Of Major Programs***

| CFDA Number | *NAME OF FEDERAL PROGRAM OR CLUSTER* |
|---|---|
| *Other Programs* | |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants and Children |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects (ARRA) |
| 17.225 | Unemployment Insurance |
| 64.015 | Veterans State Nursing Home Care |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Fund |
| 66.605 | Performance Partnership Grants |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.048 | Career and Technical Education – Basic Grants to States |
| 84.126 | Rehabilitation Services – Vocational Rehabilitation to States |
| 84.287 | Twenty-First Century Community Learning Centers |
| 84.367 | Improving Teacher Quality State Grants |
| 93.069 | Public Health Emergency Preparedness |
| 93.268 | Immunization Cooperative Agreements |
| 93.558 | Temporary Assistance for Needy Families (TANF) |
| 93.563 | Child Support Enforcement |
| 93.568 | Low-Income Home Energy Assistance |
| 93.658 | Foster Care – Title IV-E |
| 93.667 | Social Services Block Grant |
| 93.889 | Hospital Preparedness |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |
| 96.001 | Social Security – Disability Insurance |
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish between Type A and Type B Programs: **$5,293,863**

Auditee qualified as low-risk auditee: _____ yes ___X___ no

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

### Part II - Financial Statement Findings

Findings 2014-001 and 2014-002 were identified as significant deficiencies relating to the State's basic financial statements and is required to be reported in accordance with *Government Auditing Standards* in this section.

### Part III – Schedule of Current Year Findings and Questioned Costs – Federal Awards

All findings and questioned costs related to Federal assistance programs are presented beginning on page F-15.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

### PART II

### FINANCIAL STATEMENT FINDINGS

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

| | |
|---|---|
| ***Department of Administrative Services*** | ***Finding 2014-001*** |
| ***Department of Information Technology*** | |

***Significant Deficiency: Payroll and Human Resources Control Deficiencies***

Through our testing of the State's payroll and human resources process during our audit of the State's financial statements as of and for the year ended June 30, 2014, we noted the following items related to the State's payroll and human resources process:

*Ineffective General Information Technology Controls related to the NHFIRST Human Resources/Payroll Lawson System*

In February 2013, the NHFIRST Human Resources/Payroll Lawson System (Lawson or System) was implemented for certain state agencies. Based on our review of the implementation of Lawson, we determined that certain General Information Technology Controls (GITC) related to the System were ineffective. Our findings related to the System are as follows:

- In the System, application roles are used to control user access privileges. However, we noted that privileged access (access to all application functions and capabilities) had been granted to 45 application users and the job responsibilities of some of these individuals was not properly aligned with their assigned roles.

- The System utilizes an Oracle database. It was noted that system enforced password parameters, with the exception account lockout after 3 failed log-on attempts, were not in place. Subsequent to initial testing and after corrective action was taken by management, it was determined that system enforced password parameters did include minimum password length, password expiration, password complexity, and password history, however, the password parameters were not in accordance with the State's policy.

- For terminated users, access to system software should be removed in a timely manner after the date of termination of the employee. During our review, we noted that access to Lawson was not removed in a timely manner for the 5 sample selections made, with the duration of time between termination date and removal of access ranging from one month to six months. It was noted during our review that responsibility for the removal of access for a terminated employee is decentralized to the various State agencies.

- As with most IT operations, formal testing and authorization of hardware and software changes, including application operating system changes, is required prior to migration to production. During our review, we determined that evidence of testing and subsequent authorization of changes was not consistently or comprehensively documented on the change request forms stored in the System's change tracking application, and for certain selected changes, the change request form was not available. Further, it was noted that one individual has the ability to both develop and migrate changes without involvement from any other parties.

- Processing and monitoring of backup jobs should be monitored and backup tapes should be stored in a secure offsite storage area. During our review, we determined that documentation

relative to monitoring of the daily backup process was not available for the entire fiscal year, and documentation related to the monitoring of backup tapes as they move from onsite storage to offsite storage was not available for review. Subsequent to initial testing and after corrective action was taken by management, it was determined that, beginning in September 2013, appropriate levels of documentation relative to the processing and monitoring of backup jobs was available.

*Ineffective Controls over Compensated Leave Balances*

One feature of Lawson is that it allows all employees to access their leave balances (e.g., sick, annual, compensatory time) electronically. Employees rely on those balances as they plan time off or require sick leave, among other uses. To some degree, employees have always been able to access such information. Before the use of technology, the payroll system was a paper-based system. The accuracy and timeliness of accrued and decremented time was dependent on employees, as they recorded their time; and on managers and payroll staff, as they administered and reviewed the written documentation. Now, under Lawson, the timekeeping process is totally paperless. Despite the change to a paperless process, the Department of Administrative Services (DAS) determined that certain Lawson leave balances were inaccurate due to the process and controls implemented.

Lawson is dependent on both the accuracy of data and timeliness of computer processing. In addition to having the employee enter accurate and timely information, managers are required to review the time to be taken and approve it. Likewise, payroll staff at the State agencies are required to review and approve the use of time off and ensure the accuracy of the leave balances available to be taken. Once completed, the agencies' payroll staff "passes" the approved time to the Lawson portal from the time management module of the system. Once passed, the time is decremented from the employee's balance. Also, based on an employee's anniversary date, each employee is credited time monthly based on their number of years of service.

When Lawson first became operational, DAS experienced software issues, application configuration problems, and human errors in the determination of compensated leave balances. As time progressed, however, those issues were mostly resolved. Remaining errors are believed to be predominantly attributable to human error. Initially, DAS believes that many agencies were omitting the final step of the approval process of "passing" the time from the timekeeping module to the NH FIRST portal. Thus, this "time not passed" eliminates or delays the decrement of time balances giving some employees the impression they have more time accrued than they actually have. The more "time not passed" to the NH FIRST portal there is, the less accurate the balances are. Therefore, the balances many employees were relying on when making time-off decisions may not have been accurate.

*Controls over Compliance with Federal Wage and Hour Regulations*

As a result of the conversion to Lawson and the resultant ongoing analysis of and changes to payroll processing, the State became aware of certain potential compliance concerns with provisions of Federal wage and hour regulations associated with the processing of payroll. Upon identification of these potential concerns, the State began a self-assessment into the various areas of the Federal wage and hour regulations to identify potential noncompliance and determine any required changes to State

payroll policies and procedures. As a result of this compliance self-assessment and to improve internal controls, the State has made certain changes to its payroll policies and processes effective in 2015.

**Effect:**

*Ineffective General Information Technology Controls related to the NHFIRST Human Resources/Payroll Lawson System*

Excessive access to application functions and capability increases the risk that segregation of duties controls will be ineffective and that secure access to sensitive data and/or transactions will be compromised leading to increased opportunity for error.

Lack of strong password parameters for the Oracle database increases the risk that unauthorized users gain access to the information stored in the database which could be used for inappropriate purposes, as well as increases the risk that the integrity of the data is not secure.

When accounts for terminated employees are not disabled and/or removed in a timely manner, there is a risk that unauthorized users may obtain access to the network or applications.

The absence of appropriate documentation supporting the change management function including documentation of appropriate approvals and user acceptance testing increases the risk that unauthorized or untested changes could be migrated into production. Further, weak controls over the individuals who can migrate changes into production increases the risk that unauthorized changes could be put into production.

Lack of appropriate controls relative to the monitoring of the daily backup process, including monitoring the process of moving backup tapes from onsite storage to offsite storage increases the risk that important backup information is not available to be restored when necessary.

*Ineffective Controls over Compensated Leave Balances*

Lack of appropriate controls relative to compensated leave, including monitoring of the accuracy of accumulated compensated leave balances, increases the risk that leave balances are not accurately presented to employees resulting in the potential use or payment of unearned leave time, as well as, the inaccurate presentation of the State's obligation for compensated leave in the financial statements.

*Controls over Compliance with Federal Wage and Hour Regulations*

Lack of effective controls over monitoring compliance with applicable Federal and other payroll-related wage and labor regulations and requirements increases the risk of noncompliance with such regulations and requirements.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

**Recommendations:**

*Ineffective General Information Technology Controls related to the NHFIRST Human Resources/Payroll Lawson System*

While it is recognized that some experienced business users may need to be granted privileged user access to support and/or train the general business user community, the number of such users granted super-user privileges should be significantly reduced. Further, management of the Lawson application should ensure that existing and new roles support appropriate segregation of duty controls and provide users with the minimum access privileges necessary to do their jobs.

Management of the Lawson application should establish password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history that are in compliance with State password policies.

Management of the Lawson application should establish policies and procedures to ensure that notification of termination for users of the Lawson application and the elimination of access for such terminated users occurs in a timely manner.

Management of the Lawson application should review change management procedures associated with the System.

Management of the Lawson application should establish policies and procedures to ensure that appropriate levels of documentation supporting the monitoring of the daily backup process, as well as monitoring of the movement of backup tapes from onsite storage to offsite storage exists and is available.

Management Response:

We concur:

- Financial Data Management (FDM) NH FIRST Security has worked with the Division of Personnel (DOP) (18 people) and the FDM Reporting team (6 people) to restrict any enhanced access. FDM developed a new security role and DOP has tested this new role that restricts DOP personnel access from any configuration capabilities and allows only functional processing, e.g., position management, benefits, HR transactions, recruiting. Tests for most of the sections in DOP have been successfully completed and the remainder is planned to be completed this month. This new security role is planned to be implemented throughout DOP by April 30, 2015. NH FIRST Security is still working with the FDM Reporting team to define their more limited access requirements.

- During the last quarter of FY2014, DoIT has established password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history that are in compliance with State password policies.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

- Early in 2014, FDM NH FIRST Security had termination reports developed to identify those employees in a final termination status for more than 60 days. As of April 4, 2014 these reports have been run biweekly and those users identified have all NH FIRST access roles removed and their Active Directory account disabled. If a NH FIRST security access form is received from an agency requesting back office access removal, those requests are processed immediately. As of March 6, 2015 the NH FIRST Security Terminated Employee User ID Maintenance Policy and Procedures document was amended to further tighten NH FIRST security access controls by implementing biweekly identification of all employees in any termination status and those employees with back office access have their back office access removed immediately.

- Financial Data Management (FDM) uses a process, in collaboration with the DAS business units, that requires a written Business Requirements Document (BRD) for all major changes. For all changes, FDM has implemented a change management process that requires a comprehensive project directory be created that contains written documentation of the change, including a description of the change, the specific changes that were made including screen prints as applicable, detailed testing process and results including all files used during the testing, and sign-off by the DAS business unit on the change and testing. Production migration is planned with the business unit that requested the change and coordinated by FDM with DoIT, including the submission of a written request using the Footprints Helpdesk ticket system. Migration requests require the written approval of the Director of FDM or a member of the FDM management team. The details of the testing are not included as part of the migration change request. DoIT creates a Production Migration Log Signoff for all application changes that is reviewed and signed-off by the DoIT Director of Operations and the DAS Director of Financial Data Management. This process was implemented in July 2014 with a review of all production migrations for fiscal year 2014, and is being done quarterly going forward. Reviews were completed in October 2014 for the first quarter of fiscal year 2015 and in January 2015 for the second quarter of fiscal year 2015.

- Beginning in September 2013, appropriate levels of documentation relative to the processing, monitoring, and review of cartridge movement of backup jobs was available for review.

*Ineffective Controls over Compensated Leave Balances*

We recommend that State management continue to review compensation leave balances and perform manual adjustments as deemed necessary. Further, we recommend that training for payroll staff in State agencies responsible for the processing of compensated leave time in Lawson be provided additional training, and that system controls designed to prevent inaccuracies in compensated leave balances and delays in the processing of used time be pursued.

Management Response:

We concur. Regarding leave usage, the State implemented new internal controls in this area in January 2015 which, in general and for the majority of agencies, will no longer allow employees to submit time cards with leave usage that is not available as of that date. The employee will receive an error message which will indicate to them that they have an inadequate balance and the issue will need to be resolved prior to submitting their time card to their supervisor. Additionally, DAS has developed

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

additional/expanded reporting to detect issues in this area and we have hired a new Payroll Auditor who will centrally review areas such as this to detect errors that were not prevented prior to entry but before the amounts are paid to the employees. DAS has also updated the leave accrual system functionality such that employee leave accruals are recorded on a daily basis when earned. DAS has provided additional communication and training to agency HR/Payroll staff and additional training will be provided as needed.

*Controls over Compliance with Federal Wage and Hour Regulations*

We recommend that the State continue with its self-assessment and monitoring of its payroll policies and processes against the provisions of payroll-related regulations and requirements and make necessary revisions to such policies and processes to ensure compliance. We also recommend that members of State management and other employees responsible for payroll policies and processes receive regular periodic training on the provisions of payroll and related regulations and requirements, and that the State continue to perform compliance self-assessments on a periodic basis to mitigate the risk of potential noncompliance with these regulations and requirements.

### Management Response:

We concur. The State continues to review the general HR/Payroll internal controls and procedures to ensure compliance with all requirements including Collective Bargaining Agreements, Federal and State laws, etc. As the State has historically operated in a very decentralized manner, DAS believes that the centralization of HR and Payroll will provide additional and important internal controls in this area in the future. DAS now has a fully staffed Statewide Payroll Unit within the Division of Accounting Services which currently consists of 3 individuals as well as a new payroll auditor.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

| ***Department of Transportation*** | ***Finding 2014-002*** |
|---|---|

***Significant Deficiency: Reporting of Jointly Owned Highway Capital Assets***

**Observation:**

The State reports the revenues and expenditures used in the construction and maintenance of the State's public highways and supervision of traffic thereon in the Highway Fund. This Highway Fund is reported as a major special revenue fund in the State's basic financial statements. This fund is prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, capital assets are not recorded on the fund's balance sheet. Amounts incurred related to capital assets are reported as capital outlay expenditures on the statement of revenues, expenditures and changes in fund balance.

The Highway Fund financial statements are ultimately aggregated with other governmental fund types into the governmental activities column of the State's government-wide financial statements. All information in the government-wide financial statements is presented using the economic resources measurement focus and the accrual basis of accounting. Therefore, capital assets are reported in these financial statements, as is depreciation, which is generally taken straight-line over the assets' useful lives.

The differences in the measurement focus and basis of accounting create several reconciling items between the *governmental fund* financial statements and the *government-wide* financial statements. One of the most common, and usually largest in size, is the reporting of capital assets. The State generally makes manual adjustments to the governmental fund financial statements (the basis of their general ledger) to arrive at the government-wide financial statements. Information to make the capital asset adjustment that relates to highway-related capital assets is based on information provided by the State Department of Transportation.

The Governor and Council approved the replacement of the Memorial Bridge (the Bridge) on December 14, 2011. The replacement of the bridge and other approach work and bridges, which are jointly-owned by the State, the State of Maine and the City of Portsmouth, were to be funded in part by the State, the State of Maine, and the City of Portsmouth, with the State being responsible for the execution of construction. The State recorded all costs of construction as expenditures in the Highway Fund, reporting reimbursement of such expenditures from Maine and the City of Portsmouth as miscellaneous revenues. However, upon completion of the Bridge in fiscal year 2014, State management identified that in fiscal year 2012 and 2013, the State reported the full cost of the Bridge incurred to date as a construction in progress capital asset in the government-wide financial statements, instead of only reporting the State's portion of the cost of the Bridge as a capital asset. This resulted in an overstatement of governmental activities' capital assets in the June 30, 2013 financial statements of $41.2 million. This error was identified by management and corrected in the June 30, 2014 financial statements resulting in an overstatement of governmental activities' transportation expenses for the year then ended.

**Effect:**

Ineffective controls over the capitalization of joint-owned capital outlay expenditures could result in a material misstatement of the State's financial statements.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

### Recommendation:

We recommend Department of Transportation (the Department) management review all capital asset projects to ensure those with cost sharing or joint-ownership agreements with other entities are properly recorded as capital assets. We recommend management at the Department implement controls to identify and track such projects within its capital asset system.

Management Response:

We concur.

The State does not have a statewide integrated capital asset system (fixed assets) accounting module in its current automated general ledger system. To compensate for this, the Department has, and continues to implement and improve compensating controls and procedures to mitigate this significant shortfall in automated accounting processes.

In fiscal year 2014, the Department requested for and was approved a reclassification of position to Accountant III. This position was established for the sole purpose of recording and maintaining Department accountingecords for fixed assets. In October of 2014, this position was successfully filled. It is anticipated that the identification and tracking of capital projects and the recording of such to the financial records will be further improved as a result.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2014

PART III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Education*** ***Finding 2014-003***
***N.H. Department of Education***
***CFDA #84.048 Career and Technical Education- Basic Grants to States***
***CFDA #84.126 Rehabilitation Services- Vocational Rehabilitation Grants to States***
***CFDA #96.001 Social Security – Disability Insurance***

***U.S. Department of Health and Human Services***
***N.H. Department of Health and Human Services***
***CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants and Children***
***CFDA #93.069 Public Health Emergency Preparedness***
***CFDA #93.268 Immunization Cooperative Agreements***
***CFDA #93.563 Child Support Enforcement***
***CFDA #93.575 Child Care and Development Block Grant***
***CFDA #93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund***
***CFDA #93.658 Foster Care – Title IV-E***
***CFDA #93.667 Social Services Block Grant***
***CFDA #93.889 Hospital Preparedness***
***CFDA #93.959 Block Grants for the Prevention and Treatment of Substance Abuse***

***U.S. Department of Defense***
***N.H. National Guard***
***CFDA #12.401 National Guard Military Operations and Maintenance (ARRA)***

***U.S. Department of Labor***
***N.H. Department of Employment Security***
***CFDA #17.225 Unemployment Insurance***

***U.S. Department of the Interior***
***N.H. Department of Fish and Game***
***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

***Finding: Ineffective general information technology controls related to the NHFIRST Human Resources/Payroll Lawson System***

**Criteria:**

The A-102 Common Rule and OMB Circular A-110 (2CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or unallowed.

**Condition:**

*Ineffective General Information Technology Controls related to the NHFIRST Human Resources/Payroll Lawson System*

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

In February 2013, the NHFIRST Human Resources/Payroll Lawson System (Lawson or System) was implemented for certain state agencies. Based on our review of the implementation of Lawson, we determined that certain General Information Technology Controls (GITC) related to the System were ineffective. Our findings related to the System are as follows:

- In the System, application roles are used to control user access privileges. However, we noted that privileged access (access to all application functions and capabilities) had been granted to 45 application users and the job responsibilities of some of these individuals was not properly aligned with their assigned roles.

- The System utilizes an Oracle database. It was noted that system enforced password parameters, with the exception account lockout after 3 failed log-on attempts, were not in place. Subsequent to initial testing and after corrective action was taken by management, it was determined that system enforced password parameters did include minimum password length, password expiration, password complexity, and password history, however, the password parameters were not in accordance with the State's policy.

- For terminated users, access to system software should be removed in a timely manner after the date of termination of the employee. During our review, we noted that access to Lawson was not removed in a timely manner for the 5 sample selections made, with the duration of time between termination date and removal of access ranging from one month to six months. It was noted during our review that responsibility for the removal of access for a terminated employee is decentralized to the various State agencies,

- As with most IT operations, formal testing and authorization of hardware and software changes, including application operating system changes, is required prior to migration to production. During our review, we determined that evidence of testing and subsequent authorization of changes was not consistently or comprehensively documented on the change request forms stored in the System's change tracking application, and for certain selected changes, the change request form was not available. Further, it was noted that one individual has the ability to both develop and migrate changes without involvement from any other parties.

- Processing and monitoring of backup jobs should be monitored and backup tapes should be stored in a secure offsite storage area. During our review, we determined that documentation relative to monitoring of the daily backup process was not available for the entire fiscal year, and documentation related to the monitoring of backup tapes as they move from onsite storage to offsite storage was not available for review. Subsequent to initial testing and after corrective action was taken by management, it was determined that, beginning in September 2013, appropriate levels of documentation relative to the processing and monitoring of backup jobs was available.

A similar finding was noted in the prior single audit report.

**Cause:**

Management of the Lawson application indicated that they planned to create new roles to better align application privileges to job responsibilities and to conduct periodic reviews of user access and access privileges, but due to limitations in time and resources, the roles have not yet been created nor the reviews conducted.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

With regards to passwords parameters for the Oracle database that supports the Lawson application, management of the Lawson application indicated that the existing password parameters were not in accordance with the State's policy.

With regards to removal of access for terminated users, the policies and procedures related to removal of access for a terminated employee is decentralized to the various agencies, for which management of the Lawson application must rely on and has no control over.

With regards to documentation related to change management, management of the Lawson application expressed a need to tighten controls relative to the various aspects of the change management workflow (i.e. appropriate approvals, evidence of user acceptance testing, and appropriate monitoring), such that the documentation supporting the change management process can be more sufficient in nature.

With regards to documentation relative to controls within the process for daily backups, various reports are used to monitor the success or failure of daily backup jobs; however, these reports are not printed and kept for support purposes. Further, documentation is not kept relative to the tracking and monitoring of the movement of backup tapes to an offsite storage location.

**Effect:**

Excessive access to application functions and capability increases the risk that segregation of duties controls will be ineffective and that secure access to sensitive data and/or transactions will be compromised leading to increased opportunity for error.

Lack of strong password parameters for the Oracle database increases the risk that unauthorized users gain access to the information stored in the database which could be used for inappropriate purposes, as well as increases the risk that the integrity of the data is not secure.

When accounts for terminated employees are not disabled and/or removed in a timely manner, there is a risk that unauthorized users may obtain access to the network or applications.

The absence of appropriate documentation supporting the change management function including documentation of appropriate approvals and user acceptance testing increases the risk that unauthorized or untested changes could be migrated into production. Further, weak controls over the individuals who can migrate changes into production increases the risk that unauthorized changes could be put into production.

Lack of appropriate controls relative to the monitoring of the daily backup process, including monitoring the process of moving backup tapes from onsite storage to offsite storage increases the risk that important backup information is not available to be restored when necessary.

**Questioned Costs:**

None

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Recommendation:**

While it is recognized that some experienced business users may need to be granted privileged user access to support and/or train the general business user community, the number of such users granted super-user privileges should be significantly reduced. Further, management of the Lawson application should ensure that existing and new roles support appropriate segregation of duty controls and provide users with the minimum access privileges necessary to do their jobs.

Management of the Lawson application should establish password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history that are in compliance with State password policies.

Management of the Lawson application should establish policies and procedures to ensure that notification of termination for users of the Lawson application and the elimination of access for such terminated users occurs in a timely manner.

Management of the Lawson application should review change management procedures associated with the System.

Management of the Lawson application should establish policies and procedures to ensure that appropriate levels of documentation supporting the monitoring of the daily backup process, as well as monitoring of the movement of backup tapes from onsite storage to offsite storage exists and is available.

**Auditee Corrective Action Plan:**

We concur:

- Financial Data Management (FDM) NH FIRST Security has worked with the Division of Personnel (DOP) (18 people) and the FDM Reporting team (6 people) to restrict any enhanced access. FDM developed a new security role and DOP has tested this new role that restricts DOP personnel access from any configuration capabilities and allows only functional processing, e.g., position management, benefits, HR transactions, recruiting. Tests for most of the sections in DOP have been successfully completed and the remainder is planned to be completed this month. This new security role is planned to be implemented throughout DOP by April 30, 2015. NH FIRST Security is still working with the FDM Reporting team to define their more limited access requirements.

- During the last quarter of FY2014, Department of Information Technology (DoIT) has established password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history that are in compliance with State password policies.

- Early in 2014, Financial Data Management (FDM) NH FIRST Security had termination reports developed to identify those employees in a final termination status for more than 60 days. As of April 4, 2014 these reports have been run biweekly and those users identified have all NH FIRST access roles removed and their Active Directory account disabled. If a NH FIRST security access form is received from an agency requesting back office access removal, those requests are processed

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

immediately. As of March 3, 2015 the NH FIRST Security Terminated Employee User ID Maintenance Policy and Procedures document was amended to further tighten NH FIRST security access controls by implementing biweekly identification of all employees in any termination status and those employees with back office access have their back office access removed immediately.

- Financial Data Management (FDM) uses a process, in collaboration with the DAS business units, that requires a written Business Requirements Document (BRD) for all major changes. For all changes, FDM has implemented a change management process that requires a comprehensive project directory be created that contains written documentation of the change, including a description of the change, the specific changes that were made including screen prints as applicable, detailed testing process and results including all files used during the testing, and sign-off by the DAS business unit on the change and testing. Production migration is planned with the business unit that requested the change and coordinated by FDM with DoIT, including the submission of a written request using the Footprints Helpdesk ticket system. Migration requests require the written approval of the Director of FDM or a member of the FDM management team. The details of the testing are not included as part of the migration change request. DoIT creates a Production Migration Log Signoff for all application changes that is reviewed and signed-off by the DoIT Director of Operations and the DAS Director of Financial Data Management. This process was implemented in July 2014 with a review of all production migrations for fiscal year 2014, and is being done quarterly going forward. Reviews were completed in October 2014 for the first quarter of fiscal year 2015 and in January 2015 for the second quarter of fiscal year 2015.

- Beginning in September 2013, appropriate levels of documentation relative to the processing, monitoring, and review of cartridge movement of backup jobs was available for review.

**Contact Persons**:

Charles Russell, Director - FDM
Wendy Pouliot, Director of Operations - DoIT

**Anticipated Completion Date:**

April 30, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-004***
***N.H. Department of Health and Human Services***

***CFDA # 93.778 Medical Assistance Program (ARRA)***

***Grant Year and Award***
***10/01/2012 – 09/30/2013 1305NH5MAP***
***10/01/2013 – 09/30/2014 1405NH5MAP***

***Finding*: *Medicaid cases identified are not being investigated***

**Criteria:**

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002).

Suspected fraud should be referred to the State Medicaid Fraud Control Units (42 CFR part 1007).

The State Medicaid agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services. The agency must have procedures for the ongoing post-payment review, on a sample basis, of the need for and the quality and timeliness of Medicaid services. The State Medicaid agency may conduct this review directly or may contract with a Quality Improvement Organization (QIO).

**Condition:**

The Office of Improvement and Integrity, Program Integrity Unit (PIU), is responsible for establishing and using written criteria for evaluating the appropriateness and quality of Medicaid services as a means of detecting and correcting potential occurrences of provider fraud, waste and abuse. The PIU also manages the contract with the external QIO, which performs all in-state, border and specialty retrospective inpatient reviews on the fee for service population.

During our testwork of the utilization process, we reviewed the Health and Human Services Department's (the Department's) sampling plan for the utilization reviews performed directly by the PIU and ascertained that the sampling plan is designed and implemented in such a way that can be supported by the Department's current systems in place. We noted that during the year ending June 30, 2014, the Department implemented an electronic Fraud and Abuse Detection system, or EFADS that is designed to be able to provide the PIU with current and valuable analysis of the Medicaid claims processed by the Department. We compared the number of reviews performed during the current audit period to the prior audit period and noted the following:

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

| Period | Providers | Recipients |
|---|---|---|
| SFY 2014 | 6 | 56 |
| SFY 2013 | 23 | 522 |
| Change | (17) | (466) |

In addition to a decline in the number of reviews shown above, as part of our procedures, we inquired as to the status of the prior year reviews still in process at the end of the prior audit period. We noted that the prior year reviews were not completed on a timely basis. Of the 23 reviews initiated in the prior year, 6 reviews were still outstanding at the end of the current audit period due to a reviewer's leave of absence. Additionally, we ascertained the reports initiated by the EFADS system and noted that none of the reports had been reviewed during the current audit period. As a result, a sample of utilization reviews was not completely generated for the current audit period and a number of reviews were not completed. Further, we noted that the analyst charged with generating the reports in order for the PIU to determine the annual sample no longer reports directly to the PIU.

**Cause:**

The cause of the condition found appears to be primarily the result of a lack of resources assigned to the PIU and this has resulted in the PIU's inability to perform the required investigations.

**Effect:**

The effect of the condition found is that there is an increased risk of non-compliance with the utilization control and program integrity requirement which may result in the unnecessary utilization of care and services provided under the Medicaid program.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department should strengthen its existing policies and procedures followed to ensure that all the identified cases in a sample are investigated. As part of this process, the Department should ensure that its procedures include controls to ensure that cases selected for investigation should be reviewed and concluded on within a timely basis as well as ensuring that there is sufficient staffing within the Department.

**Auditee Corrective Action Plan**

Concur in part. It is noted that prior year reviews were not completed on a timely basis. There was a shift of the PI –SURS staff's focus to ensure proper implementation and oversight of the fraud, waste, and abuse programs within the Managed Care Organizations, implementation of the MMIS EFADS system, and staff absences and turnover. These changes made it difficult to complete reviews timely. The PI unit is continuing to shift focus as more and more of the Medicaid claims processing and provider relations resides with the Managed Care Organizations (MCO). It is believed that PI will need to focus more on oversight of the MCOs fraud, waste, and abuse programs as there will be fewer claims processed through the MMIS system. PI unit is trying to make a concretive effort to address outstanding cases, but is

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

difficult with the absence of staff. PI-SURS currently has one nurse reviewer. The PIU Administrator does a high level overview of each report of suspected error or fraud to determine the priority of review. Referrals or cases with the potential of the greatest impact to the Program are given the highest priority for review. Case work is expected to increase when the second nurse reviewer becomes available.

We do concur that existing policies and procedures should be strengthened to insure that all identified cases are investigated as was intended when EFADS was implemented. Work on this will be renewed when the second nurse reviewer position becomes available.

**Anticipated Completion Date:**

Dependent upon filling nurse reviewer position expected July 2015

**Contact Person:**

Tashia Blanchard, OII, Administrator

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding: 2014-005***
***N.H. Department of Health and Human Services***

***CFDA # 93.778 Medical Assistance Program (ARRA)***

***Grant Year and Award***
***10/01/2012 – 09/30/2013 1305NH5MAP***
***10/01/2013 – 09/30/2014 1405NH5MAP***

***Finding: Noncompliance with Long Term Care Facility Audit Requirement and certain Nursing Facilities Per Diem Rates were not supported***

**Criteria:**

The State Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers. The State Medicaid agency must provide for the filing of uniform cost reports for each participating provider. These cost reports are used to establish payment rates. The State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State Plan (42 CFR section 447.253).

According to the Medicaid State Plan Title XIX Attachment 4.19-D, section 9999.3(s), "a field audit shall be conducted as part of the review of the annual cost report in accordance with MAM 9999.6 [of the State Plan] if the NF [nursing facility] meets one or more of the following conditions:

(1) The NF has been newly constructed or has had major capital improvements in the past year;
(2) There are items on the annual cost report which need further clarification or investigation as determined by the department; or
(3) A field audit has not been conducted on the NF for more than 3 years from the submitted report.

According to the Medicaid State Plan Title XIX Attachment 4.19-D, section 9999.6(a) and (b), the Bureau shall "conduct on-site audits of the financial and statistical records of participating NF's"… "to ascertain whether the cost report submitted by the NF provider meets the requirements as outlined in MAM 9999 [of the State Plan]."

**Condition:**

The Audit Unit with the Bureau of Elderly and Audit Services (BEAS), is responsible for performing the annual desk reviews over Nursing Facilities, which includes a field audit every five years, in order to ensure that the amounts included in the rebasing calculation of the Nursing Facilities per diem rates is complete and accurate. These rates are calculated twice every fiscal year by BEAS in January and July based on information obtained by BEAS's Rate Setting Unit and issued through a BEAS Release Policy.

During our testwork over the desk reviews and field audits performed by BEAS, we selected forty (40) facilities included in the 2014 BEAS Release Policy and noted the following:

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

- There was no evidence supporting the rate established in the policy for one (1) of forty (40) facilities selected for testwork. While the facility was closed in State fiscal year 2014, the facility was active during the fiscal year (2010) in which the Desk Review should have been performed.

- There was no evidence supporting that a desk review was performed for three (3) of forty (40) facilities selected for testwork.

- There was no rebasing calculation worksheet provided for one (1) of forty (40) facilities selected for testwork. As a result, there was no evidence of the calculation being performed to support the per diem rate.

- There was no evidence of a field audit performed of the rate year for one (1) of forty (40) facilities selected for testwork.

- Of the forty (40) facilities selected for testwork, six (6) were for out of state providers established with a rate. However, there was no evidence to support the accuracy of the rate that was established for each of the six (6) out of state providers.

- One (1) of forty (40) facilities included in the policy had established rates that have not been changed since 1999 and there were no desk reviews or field audits performed. As a result, there are no records supporting that the rates for this provider is appropriate.

Additionally, we performed procedures to ascertain whether BEAS was in compliance with the State Plan and had performed field audits for all facilities once every five (5) years. Based on our review of the information and files provided for the same forty (40) utilized above, we noted the following:

1. Files were provided to support the field audit for one (1) of forty (40) facilities selected for testwork. However, the field audit was not performed within the five (5) year requirement but was performed after six (6) years.

2. There was no evidence to support the field audit was performed within the five year requirement for twenty-two (22) of the forty (40) facilities selected for testwork.

**Cause:**

The cause of the condition found is primarily due to significant personnel turnover and lack of resources assigned to the Bureau of Elderly and Adult Services (BEAS), Rate Setting and Audit Unit, and has resulted in BEAS's inability to perform the required desk reviews and field audits as required and the inability to established procedures to ensure compliance.

**Effect:**

The effect of the condition found is there is an increased risk of non-compliance with the long term care facilities audit requirement which may result in the erroneous rate setting.

**Questioned Costs:**

Not determinable

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Recommendation:**

We recommend BEAS strengthen its existing policies and procedures and implement controls to ensure that proper files are maintained to support the per diem rates established and to ensure that each facility has a field audit performed every five years.

**Auditee Corrective Action Plan:**

BEAS concurs with the finding. The Bureau was in the middle of a move during the audit and was not able to find all requested documents and files. However, the Bureau has begun the process of reviewing the field audit schedules. The BEAS auditor manager is currently working on formalizing a process in which the Bureau tracks the desk reviews and field audits; maintains the support for per diem rate established; and ensures all facilities are field audited every five years.

**Anticipated Completion Date:**

Policies regarding the out of state rates will be written and enforced before June 30, 2015 and the appropriateness of costs for swing bed rates will be studied by committee.

**Contact Person:**

Jennifer Doig, BEAS Administrator

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-006***
***N.H. Department of Health and Human Services***

***CFDA # 93.778 Medical Assistance Program (ARRA)***

***Grant Year and Award***

| | |
|---|---|
| ***10/01/2012 – 09/30/2013*** | ***1305NH5MAP*** |
| ***10/01/2013 – 09/30/2014*** | ***1405NH5MAP*** |
| ***10/01/2013 – 09/30/2013*** | ***1305NH5021*** |
| ***10/01/2013 – 09/30/2014*** | ***1405NH0521*** |

***Finding: Reconciliation of the Medicaid Federal Financial Participation (FFP)***

**Criteria:**

The State Medicaid Agency is required to submit the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program* (*OMB No. 0938-0067)* and the CMS-21, *Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI (OMB No. 0938-0731).* The reports are required to be used in lieu of the SF-425, Federal Financial Report, prepared quarterly, and submitted electronically to CMS within 30 days after the end of the quarter. The amounts reported on and its attachments must be actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed. Forms CMS-64 and CMS-21 are statements of expenditures for which states are entitled to Federal reimbursement under Title XIX and Title XXI of the Act and which reconciles the monetary advance made on the basis of Form CMS-37 or Form CMS-21B, respectively, filed previously for the same quarter. Consequently, the amount claimed on either Form is a summary of expenditures derived from source documents such as invoices, cost reports and eligibility records. All summary statements or descriptions of each claim must identify the claim and source documentation.

The automated Medicaid Budget and Expenditure System/State Children's Health Insurance Program Budget and Expenditure System (MBES/CBES) has been implemented nationwide and is the mechanism used to claim expenditures. The system allows states to electronically submit their Forms CMS-64 and CMS 21 directly to the CMS Data Center and the Medicaid data base.

**Condition:**

The Department of Health and Human Services (the Department) has developed a process in which the amounts to be claimed in the quarterly CMS-64 and CMS 21 reports are compiled and reported in accordance with federal regulations. The Department uses activity reports generated from the Department's internally federally approved cost allocation system to determine the Total Computable (Total Medicaid Expenditures) amount to be reported within the CMS-64 and CMS-21 reports. The Total Computable amount is then entered into the federal Medicaid Budget and Expenditure System (MBES) which is used to submit the CMS-64 and CMS-21 quarterly reports to CMS. The MBES calculates the state and federal share of expenditures based on the amounts entered by the Department and the Department primarily relies on the federal financial participation (FFP) calculated by MBES to track and record the Department's federal and state share of costs. Throughout the year the Department draws the FFP based on the amounts calculated by MBES.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

During our testwork over federal reporting, we reviewed the annual reconciliation performed by the Department that reconciles the expenditures reported on a quarterly basis through the CMS-64 reports, the expenditures contained within the cost allocation system, and the expenditures included within the Department's Federal Ledger as the cost claimed based on the MBES calculated FFP. As part of our procedures to ensure accuracy of the FFP, we compared the FFP to the federal share calculated by the cost allocation system and noted that the FFP amounts included in the CMS-64 report appeared to have been overstated. After discussions with the Department's Finance Management, management was unable to provide us with sufficient information to ensure that the FFP was accurate. In order to provide the information, the Department needed to obtain assistance from individuals that were formerly in the Agency. While the Department was ultimately able to provide evidence to verify that the federal amounts were complete and accurate, there did not appear to be a formalized process and controls in place to ensure the accuracy of the FFP.

**Cause:**

The cause of the condition found is primarily a result of significant personnel turnover and lack of resources assigned to the Department's Office of Business Operations, Finance Unit.

**Effect:**

The effect of the condition found is that there is an increased risk of non-compliance with certain compliance requirements which may result in the erroneous cost claiming.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department strengthen the current policies and procedures followed to ensure that not only the Total Computable is complete and accurate but also the Federal Financial Participation is complete and accurate.

**Auditee Corrective Action Plan:**

The Department has conducted several validations of the FFP reported on the CMS 64 to ensure accuracy of the amounts claimed. However, the DHHS concurs that there is no formal reconciliation done of the federal share of the quarterly expense claimed between Cost Allocation and the CMS 64, and agrees that having a method to formally reconcile would help minimize the risk of errors in cost claiming.

**Anticipated Completion Date:**

September 30, 2015

**Contact Person:**

Anne Mattice, Administrator

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding: 2014-007***
***N.H. Department of Health and Human Services***

***CFDA # 93.069 Public Health Emergency Preparedness***
***# 93.268 Immunization Cooperative Agreements***
***# 93.558 Temporary Assistance to Needy Families***
***# 93.563 Child Support Enforcement***
***# 93.658 Foster Care Title IV-E***
***# 93.667 Social Services Block Grant***

***Grant Year and Award***
***Various***

***Finding: Employee time cards and pay rates and/or pay rate changes were not properly approved and payroll costs not supported for allocated payroll costs***

**Criteria:**

Federal awards should be expended only for allowable activities. Laws and regulations for each grant program contain specific requirements for activities allowed and unallowed.

The A-102 Common Rule and OMB Circular A-110 (2CFR par 215) require that non-Federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. OMB Circular A-87, Attachment A contains basic guidelines related to compensation of employees for the time devoted and identified specifically to the performance of those awards are allowable direct costs; and states that in order for a cost to be allowable under federal awards, costs must be adequately documented and approved.

**Condition:**

The Department of Health and Human Services (the Department) utilizes a federally approved cost allocation plan to allocate costs to its public assistance programs. As part of our testwork, we reviewed the Department's cost allocation plan to ensure that costs were allocated in accordance with the methodology outlined within the federally approved cost allocation plan, that there was sufficient documentation to support the costs that were allocated within the cost allocation plan, and that there were sufficient controls over the approval of those costs.

As part of our testwork over the cost allocation plan, we selected a sample of 40 timesheets composed of 33 (thirty-three) classified and 7 (seven) unclassified employees and noted the following:

*Approval of Timesheets*

The NHFirst Payroll System requires employees to submit their time worked daily and the employees assigned supervisor (or their proxy) is required to review and approve the time submitted to ensure it is accurate. The Department does not require unclassified employees to have their time approved through the NH First Payroll system. Instead these employees are required to submit a paper timesheet which are approved by their supervisors.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

As part of our testwork, we noted the following concerning the supervisory approval of timesheets:

A. Two (2) employees' timelines for the selected pay periods were approved by someone other than the listed approver or the approver's proxy. This time was approved by Human Resources (HR) staff. As a result, we were unable to conclude whether or not the employee's time was properly approved for the period selected for testwork.

B. Timesheets for two (2) classified employees could not be produced through the NHFirst LBI, General Ledger Reports, Time Line Approval application. As a result, we were unable to conclude whether or not the timesheets were properly approved for the time period selected for testwork.

C. Approved timesheets for two (2) unclassified employees were missing. As a result, we were unable to conclude whether or not the timesheets were properly submitted and approved for the time period selected for testwork.

**Cause:**

The cause of the condition found is that HR staff approved timesheets due to the employee's supervisor's, or proxy's inability to access and approve employee timecards. Payroll cannot be processed until all employees' time cards are approved, therefore, HR employees may be under pressure for timely payroll processing. Additionally, we noted that there does not appear to be a formal documented procedure for submission of timesheets for unclassified employees.

**Effect:**

The effect of the condition found is that there is an increased risk of non-compliance with activities allowed or unallowed requirement.

**Questioned Costs:**

Not determinable

**Recommendation:**

We recommend that the Department ensure all employee timecards are reviewed and approved by the employee's immediate supervisor, or proxy. If circumstances necessitate HR approval of employee timecards in the system, the Department should maintain documentation to evidence that the supervisor/proxy has reviewed the employees' timecard for their accuracy at the time of approval or soon after.

Further, the Department should develop formal policies and procedures, to ensure that unclassified employees submit timesheets to evidence that their time is being reviewed and approved.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Auditee Corrective Action Plan:**

HR staff has been told that they are not to approve timecards unless they receive written instruction/permission to do so from the supervisor. That written permission to do so will be kept in the employees Personal Info tab in the system.

A process is going to be put in place to ensure that all unclassified monthly time records are received by HR.

**Anticipated Completion Date:**

April 2015 for the month of March 2015

**Contact Person:**

Mary Calise, Administrator
Betty Hughes

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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|---|---|
| ***U.S. Department of Health and Human Services*** | ***Finding 2014-008*** |
| ***N.H. Department of Health and Human Services*** | |
| ***CFDA # 93.667*** ***Social Services Block Grant*** | |
| ***Grant Year and Award:*** | |
| ***G-1301NHSOSR*** | ***10/1/2012 - 9/30/2014*** |
| ***G-1201NHSOSR*** | ***10/1/2011 - 9/30/2013*** |
| ***G-1101NHSOSR*** | ***10/1/2010 - 9/30/2012*** |

***Finding: Earmarking requirements not met***

**Criteria:**

The State shall use all of the amount transferred in from TANF (CFDA 93.558) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)).

A State may transfer up to 10 percent of the combined total of the State family assistance grant, supplemental grant for population increases, and bonus funds for high performance and illegitimacy reduction, if any, (all part of TANF) for a given fiscal year to carry out programs under the SSBG. Such amounts may be used only for programs or services to children or their families whose income is less than 200 percent of the poverty level. The amount of the transfers is reflected on the quarterly ACF-196, *TANF Financial Report*. The amounts transferred into this program are subject to the requirements of this program when expended and should be included in the audit universe and total expenditures of this program when determining Type A programs. On the Schedule of Expenditures of Federal Awards, the amounts transferred in should be shown as expenditures of this program when such amounts are expended.

The poverty guidelines are issued each year in the *Federal Register* and HHS maintains a web page that provides the poverty guidelines (http://aspe.hhs.gov/poverty/).

**Condition:**

During the State fiscal year ending June 30, 2014, the State transferred approximately $900,000 from TANF to SSBG. During our testwork over earmarking we noted that 8 of the 15 expenditures selected for testwork did not appear to be for services to children or their families whose income is less than 200% of the official poverty guideline. As such, the State did not meet its earmarking requirement for the year ended June 30, 2014.

A similar finding was noted in the prior year report.

**Cause:**

The cause of the condition found appears to be due to the lack of properly designed and implemented controls to ensure proper spending of TANF funds through SSBG for the State fiscal year ended June 30, 2014.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Effect:**

The Department did not meet the earmarking compliance requirements and appears to have expended Federal funds for unallowable costs during the State fiscal year ended June 30, 2014.

**Questioned Costs:**

$2,087 of questioned costs based on the sample selected.

**Recommendation:**

We recommend that the Department review their existing procedures related to the tracking of expenditures used as earmark to ensure that earmarking expenditures are for services to children or their families whose income is less than 200% of the official poverty guideline is properly met.

**Auditee Corrective Action Plan:**

This is the same finding as last year's audit concerning SSBG funds that were part of a TANF transfer. DCYF implemented a process to ensure that there is adequate documentation to verify that the recipient of the services income was less than 200% of the official poverty guidelines, on February 14, 2014, that date of the last finding. All of the test cases listed above were for payments prior to February 14, 2014. All of the test cases for services after February 14, 2014 that were sampled had adequate documentation.

**Anticipated Completion Date:**

Completed: February 14, 2014

**Contact Person:**

Dague B. Clark, Fiscal Administrator for DCYF, 271-4817

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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| ***U.S. Department of Health and Human Services*** | ***Finding 2014-009*** |
| ***N.H. Department of Health and Human Services*** | |
| ***CFDA # 93.667 Social Services Block Grant*** | |
| ***Grant Year and Award:*** | |
| ***G-1401NHSOSR*** | ***10/1/2013 - 9/30/2015*** |
| ***G-1301NHSOSR*** | ***10/1/2012 - 9/30/2014*** |
| ***G-1201NHSOSR*** | ***10/1/2011 - 9/30/2013*** |

***Finding: Internal controls over and compliance with subrecipient monitoring requirements should be improved***

**Criteria:**

*During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved (2 CFR 215.51).

Monitoring activities normally occur throughout the year and may take various forms, such as:

- *Reporting* – Reviewing financial and performance reports submitted by the subrecipient.
- *Site Visits* – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- *Regular Contact* – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

**Condition:**

The controls in place to ensure subrecipient's use of Federal awards did not appear to be operating effectively during the period under audit. A site visit was not performed during the year ended June 30, 2014 for any of the five subrecipients selected for testwork. Additionally, there appeared to be no compensating controls to ensure the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of the agreement. Further, pass-through percentages on the schedule of expenditures of federal awards are not reported.

**Cause:**

The cause of the condition found is due to ineffective internal controls over subrecipient monitoring.

**Effect:**

The Department's lack of effective monitoring controls over subrecipients fostered an environment wherein effectively designed internal controls were not in place and operating as intended. The Department's failure to effectively implement the internal controls over the subrecipient monitoring

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

activities resulted in noncompliance with the subrecipient monitoring requirements, as subrecipients weren't monitored during fiscal 2014.

**Questioned Costs:**

Not determinable

**Recommendation:**

We recommend that the Department review their existing procedures related to subrecipient monitoring requirements to ensure that all requirements are properly met, including reporting pass through percentages on the schedule of expenditures of federal awards.

**Auditee Corrective Action Plan:**

We partially concur. The Department has not developed clear distinctions between a 'subrecipient organization' and a 'vendor'. We concur, however, that we did not conduct site reviews of local agencies administering the Social Services Block Grant program as required by internal policy. We do, however, receive monthly invoices and quarterly reports on these providers which include financial information for monitoring purposes. All providers are also required to submit an A-133 audit and we have performed desk reviews on many of the A-133 for sub recipients.

The Department has reorganized the audit/review functions and all provider monitoring is now done by the Financial Compliance Unit of the Office of Improvement and Integrity (OII). We are in the process of completing all of the desk reviews required by any provider required to submit an A-133 audit.

**Contact Person:**

Ann Driscoll, OII

**Anticipated Completion Date:**

December 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-010***
***N.H. Department of Health and Human Services***

***CFDA # 93.069 Public Health Emergency Preparedness (PHEP)***
***CFDA # 93.889 Hospital Preparedness Program (HPP)***
***CFDA # 93.575 Child Care and Development Block Grant (CCDF)***
***CFDA # 93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund (CCDF)***
***CFDA # 93.268 Immunization Cooperative Agreements***
***CFDA # 93.563 Child Support Enforcement Grant***

| ***Grant Year and Award*** | |
|---|---|
| ***07/01/2013 – 06/30/2014*** | ***5U90TP000535-02 (PHEP and HPP)*** |
| ***10/01/2012 – 09/30/2013*** | ***1301NHCCDF*** |
| ***10/01/2013 – 09/30/2014*** | ***1401NHCCDF*** |
| ***01/01/2013 – 12/31/2013*** | ***1H23IP000757-01*** |
| ***01/01/2014 – 12/31/2014*** | ***5H23IP000757-02*** |
| ***10/01/2012 – 09/30/2013*** | ***1304NH4005*** |
| ***10/01/2013 – 09/30/2014*** | ***1404NH4005*** |

***Finding: Employee time cards were approved by someone other than the employee's immediate supervisor, or the immediate supervisor's proxy.***

**Criteria:**

Federal awards should be expended only for allowable activities. Laws and regulations for each grant program contain specific requirements for activities allowed and unallowed.

The A-102 Common Rule and OMB Circular A-110 (2CFR par 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Further, per OMB Circular A-87, Attachment A, C: Basic Guidelines, compensation of employees for the time devoted and identified specifically to the performance of those awards are allowable direct costs; and to be allowable under Federal awards, costs must be adequately documented and approved.

**Condition:**

When employees submit their time card, NHFirst Payroll System charges the job number(s) associated with the employees' federal program activities. A supervisor (or his/her proxy)'s approval is required to ensure accuracy of the time card. When neither the supervisor nor supervisor's proxy is available or able to approve the time card, certain Human Resource (HR) employees have the ability to approve the time card as proxy in the payroll system. However, HR employees do not retain communications with supervisors that would have provided justification for their timecard approval. Additionally, the State uses Lawson Infor Rich Client Application in order to authorize pay rates and pay rate changes.

During the fiscal year 2014 there were 26 employees that were supported by federal grant for PHEP, 2 employees for HPP, 15 employees for Immunization program, 16 employees for CCDF and 140 employees for CSE. We selected 8 employees for PHEP, 2 for HPP, 5 for Immunization program, 10 for

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

CCDF and 40 for the CSE program for testing throughout the year. We reviewed each selected employee's timecard approvals for all of fiscal year 2014 to see how often HR Staff approved time cards, and determined the following:

- PHEP program–8 employees were reviewed. Of the population of 208 (8 employees x 26 pay periods), 9 (or 4%) were approved by HR, without supporting documentation.
- HPP Program - 2 employees were reviewed. Of the population of 52 (2 employees x 26 pay periods), 1 (or 2%) were approved by HR, without supporting documentation.
- Immunization Program –5 employees were reviewed. Of the population of 130 (5 employees x 26 pay periods, 2 (or 1.5%) were approved by HR, without supporting documentation.
- CCDF Program – 10 employees were reviewed. Of the forty payroll expenditures tested, one employee was approved by HR without supporting documentation (or 2.5%) and one employee approved her own timesheet as she was set up as a temporary proxy (or 2.5%).
- CSE Program – Of the forty payroll expenditures tested, two employee's had time lines for selected pay periods that were approved by someone other than the approver or his/her proxy. Their time was approved by HR, without supporting documentation.

Further, we accessed the Lawson Infor Rich Client application and reviewed the information maintained in the system to support that the related pay rates and pay rate changes were authorized. For the CSE program, the pay rates effective November 29, 2013 for four employees were not approved in the system.

**Cause:**

Human resources (HR) staff approved timesheets due to the employee's supervisor, or proxy's inability to access and approve employee timecards. Payroll cannot be processed until all employees' time cards are approved; therefore, HR employees may be under pressure for timely payroll processing. Additionally, we noted that there was no consistency with data maintained in the Lawson's Info Rich Client.

**Effect:**

Increased risk of non-compliance with activities allowed or unallowed requirement

**Questioned Costs:**

Not determinable

**Recommendation:**

The Department should ensure all employee timecards are reviewed and approved by the employee's immediate supervisor, or proxy. If circumstances necessitate HR approval of employee timecards in the system, the Department should maintain documentation to evidence that the supervisor/proxy has reviewed the employees' timecard for their accuracy at the time of approval or soon after.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Additionally, the Department should develop and maintain policies and procedures for the activities and maintenance of Lawson's Infor Rich Client Application in order to have consistency throughout the State for all Human Resource activities.

**Auditee Corrective Action Plan:**

Human Resource staff has been told they are not to approve timecards unless they receive written instruction/permission to do so from the supervisor. That written permission to do so will be kept in the employees Personal Info tab in the system.

**Anticipated Completion Date:**

This has been completed as of March 3, 2015

**Contact Persons:**

Mary Calise, Betty Hughes

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-011***
***N.H. Department of Health and Human Services***

***CFDA # 93.069 Public Health Emergency Preparedness (PHEP)***

***Grant Year and Award***
***7/01/2013 – 6/30/2014 5U90TP000535-02***

***Finding: The Department of Health and Human Services (DHHS) Should Comply with the Earmarking requirement of PHEP program.***

**Criteria:**

Notice of Awards for PHEP grant includes the following earmarking requirement:

Cities Readiness Initiative (CRI): This award includes $279,824 to support Medical Countermeasure Dispensing and the Medical Material Management and Distribution (MCMDD) capabilities. These funds provide for medical countermeasure distribution and dispensing (MCMDD) for all hazards events, which includes the ability of jurisdictions to develop capabilities for U.S. cities to respond to a large-scale biologic attach, with anthrax as the primary threat consideration. For State awardees, 75% of their allocated funds must be provided to CRI jurisdictions in support of all-hazards MCMDD planning and preparedness. CRI jurisdictions are defined to include independent planning jurisdictions (as defined by the state and locality) that include those counties and municipalities within the defined metropolitan statistical area (MSA) or the New England County Metropolitan Areas (NECMAs).

**Condition:**

DHHS tracks earmarked expenditures by assigning specific job numbers in their cost allocation system. CRI earmark is budgeted as subaward to sub-grantees. According to the financial data that supports the Final Federal Financial Report for the reporting period ended June 30, 2014, the total amount specifically expended in State fiscal year 2014 and for the grant period was $171,489. This includes the amount obligated but not expended at June 30, 2014. The required earmark is $279,824, therefore, the requirement appears to not be met by $108,335.

**Cause:**

DHHS have compiled obligated funds at June 30, 2014, which include CRI expenditures, however, the total of expended and the obligated amount still fell short of the required earmark amount.

**Effect:**

DHHS was not in compliance with earmarking requirement of PHEP program in State fiscal year 2014.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Questioned Costs:**

$108,335

**Recommendation:**

We recommend that the Department consult Federal granting agency and discuss the possibility of returning or carrying over the unspent portion of the grant that was earmarked for CRI. DHHS should also review the current procedures in order to reduce the risk of noncompliance for earmarking.

**Auditee Corrective Action Plan:**

We respectfully disagree with the finding. The funds are not an earmark, in the sense that we must spend all funds. Centers for Disease Control (CDC) refers to them as a "carve out" of funds or component within the grant, based on required activities within the grant.

The purpose of CRI is to provide support for medical countermeasures planning (i.e. the PODs) and CDC does conduct - along with ESU staff - an annual technical review of those plans that has a resulting quantitative score attached to it. We are always above the requirements in the Funding Opportunity Announcement (FOA) with regards to our score (at both the state and regional levels).

Per CDC clarification, the PHEP awardee must be able to demonstrate to the Project Officer that they were able to complete those specific project activities as required in the FOA within the budget period, and that the unexpended funds resulted in a cost savings to the Federal government.

**Anticipated Completion Date:**

Not applicable

**Contact Persons:**

Dolores Cooper, Financial Manager
Shelley Swanson, Financial Administrator

### KPMG Rejoinder:

We have not been able to obtain from the Department evidence they have demonstrated to CDC that specific project activities for CRI were completed and that the unexpended funds resulted in cost savings to the Federal government.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

| | |
|---|---|
| ***U.S. Department of Health and Human Services*** | ***Finding: 2014-012*** |
| ***N.H. Department of Health and Human Services*** | |
| ***CFDA #93.268 Immunization Cooperative Agreements*** | |
| ***Grant Year and Award:*** | |
| ***January 1, 2013-Decemeber 31, 2013*** | ***1H23IP000757-01*** |
| ***January 1, 2014-December 31, 2014*** | ***5H23IP000757-02 Revised*** |

***Finding: Noncompliance with control, accountability and safeguarding of vaccine requirements.***

**Criteria:**

Effective control and accountability must be maintained for all vaccines under the VFC program. Vaccine must be adequately safeguarded and used solely for the authorized purpose (42 USC 1396s). This includes administration only to Vaccines for Children (VFC) program-eligible children, as defined in 42 USC 1396s(b)(2)(A)(i) through (A)(iv), regardless of the child's parent's ability to pay (42 USC 1396s(c)(2)(C)(iii)).

**Condition:**

When performing a test of control to reconcile the Center for Disease Controls (CDC) records of federal vaccines ordered by the New Hampshire Immunization Program (NHIP) and the NHIP's records of federal vaccines ordered, the reconciliation was being performed ineffectively. The NHIP's reconciliation calculation was being performed by taking the federally funded vaccine variance between the CDC and NHIP and dividing it by the total vaccine ordered (state and federally funded vaccine) which consistently resulted in a difference that was less than the established vaccine threshold set for not investigating variances. Additionally, several clerical errors were noted within the calculation of the quarterly variances which went unnoticed until auditors brought discrepancies to staff's attention.

A similar finding has been noted in the prior single audit report.

**Cause:**

The design of the reconciliation control was not effective to maintain a proper accountability over the ordering and receipt of federally funded vaccines as the reconciliation was improperly taking into account the ordering and receipt of state funded vaccines, and not reconciling them to a comparable amount.

**Effect:**

Increased potential for the NHIP to be unable to detect errors in the reporting of their vaccines ordered by the CDC.

**Questioned Costs:**

None

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Recommendation:**

The Department should ensure it establishes an effective reconciliation of federally funded vaccines in order to maintain proper accountability.

**Auditee Corrective Action Plan:**

We concur with the finding. Based on guidance from KPMG the formula has been changed to show that the federal difference is divided by the federal total cost of vaccines.
For State fiscal year 2015, this process will continue. However, beginning in State fiscal year 2016, the vaccine accountability staff has found that the VTrckS vaccine ordering program is timely enough in its order/deliver/receive reporting mechanism that we will not be using the excel spreadsheet currently in use. Similar to other states, The NH Immunization Program will rely completely on the CDC provided, VTrckS Spend Plan Replenishment Report.

**Contact Persons:**

Marcella Bobinsky
Dolores Cooper

**Anticipated Completion Date:**

State fiscal year 2014 – completed as of 3/3/15
State fiscal year 2015 – revision will be completed by 3/6/15

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-013***
***N.H. Department of Health and Human Services***

***CFDA # 93.959*** ***Block Grants for Prevention and Treatment of Substance Abuse***

***Grant Year and Award:***

| | |
|---|---|
| ***2B08T1010035-14*** | ***10/1/2013 - 9/30/2015*** |
| ***2B08TI010035-13*** | ***10/1/2012 - 9/30/2014*** |
| ***2B08TI010035-12*** | ***10/1/2011 - 9/30/2013*** |

***Finding: Internal controls over and compliance with subrecipient monitoring requirements should be improved***

**Criteria:**

*During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved (2 CFR 215.51).

Monitoring activities normally occur throughout the year and may take various forms, such as:

- *Reporting* – Reviewing financial and performance reports submitted by the subrecipient.

- *Site Visits* – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

- *Regular Contact* – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

**Condition:**

The controls in place to ensure subrecipient's use of Federal awards did not appear to be operating effectively during the period under audit. A site visit was not performed during the year ended June 30, 2014 for any of the five subrecipients selected for testwork. Additionally, there appeared to be no compensating controls to ensure the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of the agreement.

**Cause:**

The cause of the condition found is due to ineffective internal controls over subrecipient monitoring.

**Effect:**

The Department's lack of effective monitoring controls over subrecipients fostered an environment wherein effectively designed internal controls were not in place and operating as intended. The Department's failure to effectively implement the internal controls over the subrecipient monitoring

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

activities resulted in noncompliance with the subrecipient monitoring requirements, as subrecipients weren't monitored during fiscal 2014.

**Questioned Costs:**

Not determinable.

**Recommendation:**

We recommend that the Department review their existing procedures related to subrecipient monitoring requirements to ensure that all requirements are properly met.

**Auditee Corrective Action Plan:**

State Fiscal Year 2014 was a transition period for the Clinical Services Unit, including

- Moving from pay for performance to fee for service payment, which necessitated a significant amount of technical assistance and training to providers to ensure accurate implementation and billing.

- The retirement of the long-time clinical services unit administrator.

The current clinical services unit administrator and clinical services unit staff have already begun scheduling and completing monitoring activities for State fiscal year 2015 and will continue to do so. Given that the conditions leading to this deficiency were transient in nature, no additional corrective action is planned at this time.

**Anticipated Completion Date:**

Complete at the time of submission.

**Contact Persons:**

Joseph Harding, Director; Linda Colby, Business Administrator

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-014***
***N.H. Department of Health and Human Services***

***CFDA # 93.959*** ***Block Grants for Prevention and Treatment of Substance Abuse***

***Grant Year and Award:***

| | |
|---|---|
| **2B08T1010035-14** | **10/1/2013 - 9/30/2015** |
| **2B08TI010035-13** | **10/1/2012 - 9/30/2014** |
| **2B08TI010035-12** | **10/1/2011 - 9/30/2013** |

***Finding: Special tests- independent peer review requirements not met***

**Criteria:**

The State must provide for independent peer reviews which access the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing the services. The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process (42 USC 300x-53(a); 45 CFR section 96.136).

**Condition:**

The State did not meet its required independent peer review requirement for the year ended June 30, 2014 as the State did not review at least 5 percent of the entities providing services in the State. No independent peer reviews were performed for the year ended June 30, 2014.

**Cause:**

The cause of the condition found is due to the lack of properly designed and implemented controls to ensure the independent peer review requirement was met for the State fiscal year ended June 30, 2014.

**Effect:**

The Department did not meet the independent peer review compliance requirements for the State fiscal year ended June 30, 2014.

**Questioned Costs:**

Not determinable

**Recommendation:**

We recommend that the Department review their existing procedures related to the tracking of independent peer review requirements to ensure that the requirement is properly met.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Auditee Corrective Action Plan:**

State Fiscal Year 2014 was a transition period for the Clinical Services Unit, including

- Moving from pay for performance to fee for service payment, which necessitated a significant amount of technical assistance and training to providers to ensure accurate implementation and billing.

- The retirement of the long-time clinical services unit administrator.

Upon reviewing existing procedures for independent reviews, it was found that there was a misunderstanding that independent reviews were only required once per contract. The contract in place for the state fiscal year in question was originally for State fiscal year 2013 and was then amended to include State fiscal year 2014 and a review was conducted of Farnum Center on September 27, 2012 (part of State fiscal year 2013).

As a result of these audit findings, the Clinical Services Unit Administrator requested additional information from other Bureau of Drug and Alcohol Services staff and was notified that independent reviews are actually required once per fiscal year, regardless of the contract period and this information has been communicated to the Clinical Services Unit staff responsible for monitoring and scheduling these reviews.

Prior to receiving these findings, the Clinical Services Unit had already contacted the New Hampshire Center for Excellence regarding the independent review for the current contract and this is scheduled to take place at Southeastern New Hampshire Services in late April 2015.

**Anticipated Completion Date:**

Complete at the time of submission.

**Contact Person:**

Joseph Harding, Director; Linda Colby, Business Administrator

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-015***
***N.H. Department of Health and Human Services***

***CFDA # 93.959*** ***Block Grants for Prevention and Treatment of Substance Abuse***

***Grant Year and Award:***

| | |
|---|---|
| ***2B08T1010035-14*** | ***10/1/2013 - 9/30/2015*** |
| ***2B08TI010035-13*** | ***10/1/2012 - 9/30/2014*** |
| ***2B08TI010035-12*** | ***10/1/2011 - 9/30/2013*** |

***Finding: Maintenance of Effort requirement not met***

**Criteria:**

The State shall maintain expenditures of non-Federal amounts for tuberculosis (TB) services at a level that is not less than an average of such expenditures maintained by the State for the 2 year period preceding the first fiscal year for which the State receives such a grant (42 USC 300x-24; 45 CFR section 96.127).

**Condition:**

The State did not meet its required maintenance of effort for the year ended June 30, 2014 as the State did not incur expenditures for tuberculosis services at a level greater than an average of such expenditures maintained by the State for the 2 year period preceding the first fiscal year for which the State receives such a grant. In order to meet the maintenance of effort requirement as of June 30, 2014, the State needed to expend $4,500 and fell short by 14% due to expending only $3,870 of State funds.

A similar finding was included in the prior year single audit report.

**Cause:**

The cause of the condition found appears to be reductions in general fund appropriations for the state fiscal year ended June 30, 2014, and not a lack of controls.

**Effect:**

The Department did not meet the maintenance of effort compliance requirements for the State fiscal year ended June 30, 2014.

**Questioned Costs:**

$630, the difference between required maintenance of effort and actual

**Recommendation:**

We recommend that the Department review their existing procedures related to the tracking of maintenance of effort requirements to ensure that all requirements are properly met.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Auditee Corrective Action Plan:**

The Department will review the current procedures used in tracking the SAPT Block grant and update to include the tracking of the TB MOE on a quarterly basis.

**Anticipated Completion Date:**

April 1, 2015

**Contact Persons:**

Joseph Harding, Director; Linda Colby, Business Administrator

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-016***
***N.H. Department of Health and Human Services***

***CFDA # 93.959*** ***Block Grants for Prevention and Treatment of Substance Abuse***

***Grant Year and Award:***
***2B08T1010035-12*** ***10/1/2011 - 9/30/2013***

***Finding: Noncompliance with Federal reporting requirements***

**Criteria:**

*Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061))-* Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Grantees must submit a Federal Financial Report (SF-425) within 90 days after the end of the obligation and expenditure period of the grant. The SF-425 shall report total funds obligated and total funds expended by the grantee.

**Condition:**

During the procedures performed, we noted that the Bureau of Drug and Alcohol Services (BDAS) did not submit the report on a timely basis. The report was submitted 29 days late as it was not filed until January 29, 2014.

**Cause:**

The cause is due to shifting of resources within the DHHS Finance Office.

**Effect:**

The SF-425 report was not filed in accordance with the 90 day Federal filing requirement.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department review existing procedures to ensure timely reporting.

**Auditee Corrective Action Plan:**

In order to meet increased workflow expectations due to budgetary reductions, the Department is in the process of restructuring financial operations to enable staff to perform common tasks and functions throughout multiple service areas. Going forward, specific staff will be assigned to monitor all federal awards and follow specific procedures to ensure the timely response to reporting deadlines and inquires.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Anticipated Completion Date:**

April 1, 2015

**Contact Person:**

Joseph Harding, Director; Linda Colby, Business Administrator

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-017***
***N.H. Department of Health and Human Services***

***CFDA # 93.575 Child Care and Development Block Grant***
***CFDA # 93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund***
***CFDA # 93.658 Foster Care – Title IV-E***

***Grant Year and Award:***

| | |
|---|---|
| ***10/01/2012 – 09/30/2013*** | ***1301NHCCDF*** |
| ***10/01/2013 – 09/30/2014*** | ***1401NHCCDF*** |
| ***10/01/2012 – 09/30/2013*** | ***1301NH1401*** |
| ***10/01/2013 – 09/30/2014*** | ***1401NH1401*** |
| ***10/01/2013 – 09/30/2014*** | ***1401NH1401*** |

***Finding: Missing information and signatures from eligibility files and an untimely client eligibility redetermination***

**Criteria:**

**Child Care Development Fund:**
In order to be eligible for Child Care Development Funds children/families must meet the following criteria: Children must be under age 13 (or up to age 19, if incapable of self care or under court supervision), who reside with a family whose income does not exceed 85 percent of State/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services. Lead Agencies may choose to provide services during periods of job search. (42 USC 9858n(4); 45 CFR sections 98.20(a) and 98.80(f)).

**Foster Care:**
The provider, whether a foster family home or a child-care institution must be fully licensed by the proper State or tribal foster care licensing authority responsible for licensing such homes or child care institutions. (42 USC 671(a)(10) and 672(c)).

**Condition:**

**Child Care Development Fund:**
During our testwork over client eligibility we noted for 1 out of 25 children selected for testwork, the child care provider form 2530, the form which indicates which child care provider has been selected by the parent for their child's child care was not signed by the parent as is Department policy. This form is used to link the child to the child care provider to ensure the correct provider is paid for services provided to the eligible child.

During our testwork over client eligibility compliance we noted for 1 out of 25 children selected for testwork, we were unable to conclude on eligibility because we were unable to verify the child was under age 13 through a review of the child's birth certificate or other acceptable documentation as the Department did not maintain a copy of the birth certificate or other documentation within the child's electronic file.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Foster Care:**
Foster Care eligibility is reviewed every six-months to ensure the child is still eligible for Foster Care Benefits. During our testwork over foster care client eligibility we noted for 1 out of 25 clients selected for testwork, there was a lapse of greater than 6 months without a redetermination of eligibility. The New Heights system is used for eligibility determinations and is built to alert the worker when a redetermination is due. However, if the child is eligible for Medicaid prior to Foster Care, the New Heights system does not always update the redetermination timing to be every six months, since Medicaid is on a 12 month cycle.

Per State policy there is a myriad of documentation that is required to be completed, within a certain timeframe, when determining foster care client eligibility. During our testwork over foster care client eligibility we noted for 1 out of 25 clients, the Certification of Deprivation was not completed within 45 days of removal, as is required. The Certification of Deprivation is used to show how the child is deprived and therefore, in need of foster care. This form is used to support that the child is indeed eligible for foster care.

**Cause:**

The cause of the conditions found are due to the lack of a control to monitor required documentation to ensure it is completed, and maintained prior to determining eligibility, and the inability of the New Heights system to reset the redetermination date to six months.

**Effect:**

The Department of Health and Human Services (the Department) may not be in compliance with Federal eligibility requirements if all the required documentation is not received or maintained and required signatures not obtained prior to making eligibility determinations. Further, if redeterminations are not performed timely the Department may provide benefits for an ineligible child.

**Questioned Costs:**

None

**Recommendation:**

The Department should institute a control to review documentation to ensure it is complete, accurate, and maintained prior to making eligibility determinations. Possibly, a checklist that includes sign off that all required documents have been received may be helpful. Further, the Department should review the New Heights system to ensure a system control is in place and working effectively in properly alerting staff when a redetermination is required.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Auditee Corrective Action Plan:**

Child Care Development Fund:
For the lack of a signature of the parent, the DCYF Child Development Bureau procedure now is for this form to be reviewed for completeness and then forward to the Division of Client Services Central Scanning Unit. If we receive one without a parent signature, it will be sent back to the parent for signature before being forwarded to the Central Scanning Unit

For the lack of the birth certificate to determine the child's age, the results of the audit will be reviewed with Administrative Supervisors who oversee the eligibility staff so that they can share with the staff.

Foster Care:
KPMG's noted 1 out of 25 clients selected for review had a lapse of greater than 6 months without a redetermination of eligibility. As KPMG recommends, DCYF has a Redetermination checklist that lists every item the Fiscal Specialist must address for a redetermination to be completed timely and accurately. There was such a checklist in the file that missed the redetermination. The oversight is a combination of New Heights automatically setting the redetermination period to 12 months as allowed under the Medicaid program when cases are opened for Foster Care Medicaid. When Title IV-E Cash (maintenance) is added to the currently opened Foster Care Medicaid case once eligibility is completed (up to 45 days later), the New Heights system does not reset the redetermination date to the 6 month redetermination time period required under Title IV-E; New Heights continues to keep the 12 month time period for the Medicaid program. The Fiscal Specialist failed to address and correct the redetermination date to reflect IV-E eligibility and the required 6 month redetermination time period as instructed on the checklist.

The monthly Fiscal Specialist staff meeting was held 2/24/15 and the KPMG findings were reviewed with all staff and Fiscal Supervisors. The Fiscal Specialist Field Operations Supervisor stressed that staff must carefully address every item on the checklist and check New Heights to make sure the redetermination dates are correct.

Eligibility for AFDC in the month of the child's removal must be completed within 45 days from the removal of the child from the home, including all documentation is to be received and dated within the 45 day time frame. The Fiscal Specialist Field Operations Supervisor also spoke to this issue at the 2/24/15 Fiscal Specialist staff meeting stressing that the entire AFDC eligibility process must be completed within the 45 days. Fiscal Specialists were also reminded to pay close attention to the AFDC Reconstruction checklist to ensure all items are addressed accurately and timely.

Fiscal Specialist Supervisors will be paying special attention to these items as they review their staff's case files for timeliness and accuracy in determining eligibility for all applicable Federal programs.

**Anticipated Completion Date:**

Child Care Development Fund:

- For the lack of a signature by the parent: March 1, 2015
- For the lack of the birth certificate to determine the child's age: April 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Foster Care:

February 24, 2015

**Contact Person:**

Child Care Development Fund:

- For the lack of a signature by the parent: Ellen Wheatley, Administrator III, Child Development Bureau, 603-271-8153
- For the lack of the birth certificate to determine the child's age: Melody Braley, Administrator IV, Client Services, 271-9282

Foster Care:
Simone Sneider, Supervisor VII, DCYF Eligibility Unit, 271-4714and Debra Pelissier, Supervisor IV, DCYF Eligibility Unit, 271-4692

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-018***
***N.H. Department of Health and Human Services***

***CFDA #93.575 Child Care and Development Block Grant***
***CFDA #93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund***

***Grant Year and Award:***
***10/01/2012 – 09/30/2013 1301NHCCDF***
***10/01/2013 – 09/30/2014 1401NHCCDF***

***Finding: Missing health and safety information from provider licensing files and inadequate provider monitoring***

**Criteria:**

As part of their Child Care Development Fund plans, Lead Agencies must certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers (45 CFR section 98.41).

**Condition:**

Per State policy there is a myriad of documentation that is required to be submitted with the application in order to show compliance with the health and safety requirements. During our testwork over provider health and safety standards we noted for 3 out of 25 providers selected for testwork, one or more of the documents related to the health and safety process were missing from the file and the State was unable to provide evidence they had obtained the documentation. Two of the files were missing documentation to support that the center director/family child care provider had a physical within the last 12 months and the other file was missing documentation to support that the center had the proper town/city zoning approvals.

Per State policy the Child Care Licensing Unit performs annual monitoring visits. During our testwork over provider health and safety we noted for 12 out of 25 providers selected for testwork, a monitoring visit, where the Department ensures the provider is operating in accordance with the child care provider rules and regulations was not performed within the year, as is the Department's monitoring policy.

**Cause:**

The Department's weakness in control to review the documentation to ensure it is complete, accurate and maintained prior to making a licensing decision. The Department reports the cause for untimely monitoring visits due to a lack of staff to perform them.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Effect:**

The Department of Health and Human Services may not obtain all the required documentation to ensure a provider has provided proper health and safety documentation to be a licensed provider.

**Questioned Costs:**

None

**Recommendation:**

The Department should institute a control to review the documentation to ensure it is complete, accurate and maintained prior to making a licensing decision.

The Department should also review their monitoring plan/procedures to ensure that each site is visited as required by the State's Child Care Development Fund plan to ensure compliance with health and safety requirements as noted in the State Plan and Federal Compliance Supplement.

**Auditee Corrective Action Plan:**

All licensing staff will review and document a current physical for the center director/provider during the relicensing visit. Supervisors will ensure the date of the physical is documented prior to the renewed license being issued. Zoning forms are required for new programs, or for existing programs if adding additional program types or moving to a new location. Files will be reviewed to be sure the most recent zoning form is present before renewed license is issued.

The recommendation from the National Association for Regulatory Administration is a caseload of 50-60 programs per licensing inspector, which is also the recommendation in the Child Care Development Fund Reauthorization of November 2014. Our current caseload is 135 programs with seven licensing inspectors, and we have three vacant positions, two that have been de-funded in the current budget process. If we receive approval to hire the one licensing inspector position still funded, our caseload per inspector will be 118, still twice the national recommendation. Policies and procedures regarding monitoring visits are being reviewed and revised to better meet the yearly requirement for one monitoring visit per year at all licensed programs. Number of visits completed will be closely monitored by supervisory staff, with the highest priority given to complaint investigations and monitoring of programs with a history of compliance issues.

**Anticipated Completion Date:**

Dependent on filling vacant positions. All child care licensing staff will review this report and expectations will be communicated at our next staff meeting on March 19, 2015.

**Contact Person:**

Melissa Clement, Chief, Child Care Licensing Unit

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-019***
***N.H. Department of Health and Human Services***

***CFDA # 93.563 Child Support Enforcement***

***Grant Year and Award: 1304NH4005 10/1/2012 – 9/30/2013***
***1404NH4005 10/1/2013 – 9/30/2014***

***Finding: Inaccuracies of certain amounts included in the OCSE 34A, Child Support Enforcement Program Quarterly Report of Collections***

**Criteria:**

The Office of Child Support Enforcement (OCSE) requires States to submit quarterly expenditure and collection reports. Many of the requirements concerning the nature of the reported information were altered with the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) in August 1996. In September 1998, the OCSE-34A Form was implemented, following numerous Federal-State discussions on the need and availability of financial data. The form was approved by the Office of Management and Budget and during fiscal year 1999, the form was provided to OCSE with the information needed to complete its various financial and reporting responsibilities with minimal collection and reporting burden on State agencies (Social Security, Title IV, Part D, 42 U.S.C. 1673-6103-6).

State agencies are required to maintain records necessary for the proper and efficient administration of the State IV – D Plan and required to be maintained for three years from the day the State agency submits its last expenditure report for that period when grant support is renewed on an annual basis (45 CFR 92.42).

**Condition:**

The State of New Hampshire, Division of Child Support Services (the "Division") extracts the data required to complete the OCSE 34A Form on a quarterly basis. During our testwork, we noted that there were two amounts reported for the quarter ended June 30, 2014 that were not in agreement with the data provided. The amounts by line are as follows:

*Line 7d.* Distributed to Family or FC

| | |
|---|---|
| Reported | $5,269,573 |
| Details | 5,567,866 |
| | $ 298,293 |

*Line 15.* Collections Remaining Undistributed More Than 2 Days, But Not More Than 30 Days:

| | |
|---|---|
| Reported | $175,486 |
| Details | 190,265 |
| | $(14,779) |

**Cause:**

The cause is due to a lack of formal controls to ensure that all records are maintained to support original and revised submissions of reports in accordance with the Federal regulations.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Effect:**

The Department cannot ensure that reports submitted are complete, accurate and in accordance with the Federal regulations, without maintaining proper support.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Division institute a system of policies, procedures, and internal controls over the reporting requirements of the federal program.

**Auditee Corrective Action Plan:**

The Division concurs and will establish formal policies and procedures to maintain hard copies of files, data and information for all versions of all reports submitted.

**Contact Person:**

Lori Anderson, Program Specialist IV

**Anticipated Completion Date:**

December 31, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-020***
***N.H. Department of Health and Human Services***

| | |
|---|---|
| ***CFDA # 93.044*** | ***Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers*** |
| ***CFDA # 93.045*** | ***Special Programs for the Aging – Title III, Part C – Nutrition Services*** |
| ***CFDA # 93.053*** | ***Nutrition Services Incentive Program*** |

***Grant Year and Award:***

| | |
|---|---|
| ***10/01/2012 – 9/30/2013*** | ***13AANHT3SP*** |
| ***10/01/2013 – 9/30/2014*** | ***14AANHT3SS*** |
| ***10/01/2013 – 9/30/2014*** | ***14AANHT3CM*** |
| ***10/01/2013 – 9/30/2014*** | ***14AANHT3HD*** |
| ***10/01/2012 – 9/30/2013*** | ***13AANHNSIP*** |
| ***10/01/2013 – 9/30/2014*** | ***14AANHNSIP*** |

***Finding: The Department of Health and Human Services (DHHS) should improve its internal controls over and compliance with the subrecipient monitoring and allowable cost requirements***

**Criteria:**

The New Hampshire Department of Health and Human Services (DHHS) is required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements (2 CFR 215). This includes internal controls designed to assure program management that the subrecipient monitoring, and the allowable activities and costs requirements are being met.

The OMB Circular A-133 Compliance Supplement states a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In accordance with 31 USC 7502(f)(2), each pass-through entity is responsible for reviewing the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, pertaining to Federal awards provided to the subrecipient by the pass-through entity.

**Condition:**

The Department of Health and Human Services, monitors Aging subrecipients by conducting annual site reviews. The site reviews are designed to evaluate a subrecipient's compliance with the Aging program requirements, and the efficiency and effectiveness of the subrecipient's administration of, and internal controls over the Aging program. For the fiscal year ended June 30, 2014, the Department failed to conduct any site reviews of local agencies administering the Aging program in accordance with the requirements specified above, thereby failing to gain assurance that subrecipients maintained compliance with applicable Federal requirements. Out of a sample of 8 subrecipients, no evidence of that monitoring was observed.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Furthermore, the policies and procedures designed to ensure compliance with the allowable activities and cost requirements of the Aging program are dependent on the effectiveness of DHHS' subrecipient monitoring activities. Aging subrecipient reimbursement requests consist of subrecipient expenditure or claim reports indicating the level of services provided to participants, but absent of any documentation supporting the validity of the reports. These report requests are submitted to the Bureau of Elderly and Adult Services, the division within DHHS that is directly responsible for administering the Aging program. The reimbursement requests are reviewed and approved for payment by the Aging program administrators on the premise that its subrecipient monitoring activities provide the Department with reasonable assurance the information contained in the subrecipient reports is reliable and includes only allowable costs incurred during the performance of program activities. The absence of, or deficiencies in, subrecipient monitoring activities described above, significantly diminishes the Department's assurance that subrecipient reimbursement requests represent only allowable costs incurred while performing allowable activities of the Aging program.

DHHS also failed to fully acquire, review, and follow up on sub recipient Single Audit reports during the fiscal year ended June 30, 2014. Out of a sample of 8 subrecipients, the Department did not review audit reports for 3.

**Cause:**

DHHS reported that a decrease in staffing levels contributed to the instances of noncompliance and the deficiencies of internal controls described above.

**Effect:**

The Department's lack of effective monitoring of all of the Aging subrecipients resulted in noncompliance with the subrecipient monitoring requirements, and may result in noncompliance with the allowable cost restrictions specific to the Aging program.

**Questioned Costs:**

Not determinable

**Recommendation:**

The Department should ensure internal controls are properly implemented and monitor their performance to ensure continued effectiveness. Specifically, annual site visits, and a review and follow up of annual subrecipient single audit reports and applicable findings, should be performed in order to ensure compliance with Federal regulations. Also, the Department should also evaluate its staffing resources and priorities, and make appropriate adjustments to ensure sufficient monitoring procedures are conducted.

**Auditee Corrective Action Plan:**

We partially concur. We concur that we did not conduct site reviews of local agencies administering the Aging program. We do, however, receive monthly invoices and quarterly reports on all BEAS providers which include financial information for monitoring purposes. All providers are also required to submit an A-133 audit and we have performed desk reviews on many of the A-133 for sub recipients.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

The Department has reorganized the audit/review functions and all provider monitoring is now done by the Financial Compliance Unit of the Office of Improvement and Integrity (OII). We are in the process of completing all of the desk reviews required by any provider required to submit an A-133 audit. We will also start the process of performing BEAS site reviews for the Aging program.

**Contact Person:**

Ann Driscoll, OII

**Anticipated Completion Date:**

December 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-021***
***N.H. Department of Health and Human Services***

| | |
|---|---|
| ***CFDA # 93.044*** | ***Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers (Aging)*** |
| ***CFDA # 93.045*** | ***Special Programs for the Aging – Title III, Part C – Nutrition Services(Aging)*** |
| ***CFDA # 93.053*** | ***Nutrition Services Incentive Program(Aging)*** |
| ***CFDA # 10.557*** | ***Special Supplemental Nutrition for Women, Infants, and Children (WIC)*** |
| ***CFDA # 93.667*** | ***Social Services Block Grant (SSBG)*** |
| ***CFDA # 93.069*** | ***Public Health Emergency Preparedness (PHEP)*** |
| ***CFDA # 93.889*** | ***Hospital Preparedness Program (HPP)*** |
| ***CFDA # 93.268*** | ***Immunization Cooperative Agreements (Immunization)*** |

***Grant Year and Award:***

| | |
|---|---|
| ***Aging:*** | |
| ***10/01/2012 – 9/30/2013*** | ***13AANHT3SP*** |
| ***10/01/2013 – 9/30/2014*** | ***14AANHT3SS*** |
| ***10/01/2013 – 9/30/2014*** | ***14AANHT3CM*** |
| ***10/01/2013 – 9/30/2014*** | ***14AANHT3HD*** |
| ***10/01/2012 – 9/30/2013*** | ***13AANHNSIP*** |
| ***10/01/2013 – 9/30/2014*** | ***14AANHNSIP*** |
| ***WIC:*** | |
| ***10/1/12 – 9/30/13*** | ***2013IW100344*** |
| ***10/1/13 – 9/30/14*** | ***2014IW100344*** |
| ***10/1/12 – 9/30/13*** | ***2013IW500344*** |
| ***10/1/13 – 9/30/14*** | ***2014IW500344*** |
| ***SSBG:*** | |
| ***10/1/2012-9/30/2014*** | ***G-1301NHSOSR*** |
| ***PHEP:*** | |
| ***7/01/2013 – 6/30/2014*** | ***5U90TP000535-02*** |
| ***HPP:*** | |
| ***7/01/2013 – 6/30/2014*** | ***5U90TP000535-02*** |
| ***Immunization:*** | |
| ***1/1/13 – 12/31/13*** | ***1H23IP000757-01*** |
| ***1/1/14 – 12/31/14*** | ***5H23IP000757-02*** |

***Finding: Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)***

**Criteria:**

The Federal Funding Accountability and Transparency Act (FFATA – P.L. 109-282, as amended by section 6202 (a) of P.L. 100-252) requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards. FFATA prescribes specific pieces of information to be reported. For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds. Recipients are not required to report on subawards made on or after October 1, 2010 that use funds awarded prior to that date.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Sub-award Reporting System (FSRS) and report sub-award data through FSRS. To do so, they are first required to register in Central Contractor Registration (CCR) (if they have not done so previously for another purpose, e.g., submission of applications through Grants.gov) and actively maintain that registration. Prime contractors have previously been required to register in CCR. Grant and cooperative agreement recipients and contractors must report information related to a sub-award by the end of the month following the month in which the sub-award or obligation of $25,000 or greater was made and, for contracts, the month in which a modification was issued that changed previously reported information.

2 CFR specifies non-federal entities receiving federal financial assistance are required to report information on subawards and executive total compensation as required by FFATA. Additionally, the programs' grant agreements include requirements for FFATA reporting.

**Condition:**

***Aging:***

5 of 31 subawards requiring FFATA reporting were not submitted. Additionally, one of the subawards reported, was reported incorrectly.

Further, we found that the FFATA reporting was not done timely, i.e., were not reported by the end of the month following the month of sub-award or obligation. All subawards were listed as being obligated in July 2014; however, obligation occurs when the subaward agreements are approved by Governor and Council. Report submission under the Transparency Act did not occur until January 2015, well after the due dates.

***WIC, PHEP, HPP and Immunization:***

No required FFATA reports for these programs were filed during state fiscal year 2014.

***SSBG:***

The Bureau of Drug and Alcohol Services (BDAS) did not report the accurate federal subaward amount for three of five subawards selected for testwork, and reported the total award amount including general funds and federal funds, while only federal funds should have been reported for all subawards.

A similar finding for WIC was noted in the prior year single audit report.

**Cause:**

The cause is due to lack of properly designed and implemented controls in fiscal year 2014, to ensure data integrity and timely submission.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Effect:**

The Department cannot ensure that reports submitted are complete, accurate and in accordance with the Federal regulations.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department institute a system of policies, procedures, and internal controls over the FFATA reporting requirements of the federal programs received by the Department.

**Auditee Corrective Action Plan:**

The Department agrees that some of the State fiscal year 2014 FFATA reports were not in compliance with the Act as noted by the findings reported.

The Financial Compliance Unit (FCU) has completed the centralization of the FFATA process, as of July 1, 2014, for the Department of Health and Human Services (DHHS), and has adopted a FFATA Current Process Guideline compliant with the department's audit response “Corrective Actions” of State fiscal year 2013. Because of the timing of these corrective actions accomplished it is acknowledged that certain items from State fiscal year 2014 may not fully comply with the Federal Funding and Accountability and Transparency Act. However, awards approved during the June 2014 Governor and Council meetings, which are effective July 1, 2014, and subsequent, are included in the FFATA reports using the new guideline. The FCU is coordinating this process and collaborating with the Division Finance Units as well. Additionally we have reached out to the centralized Contracts & Procurement unit to augment this process by including, along with the CFDA numbers for all contracts, the addition of the Federal Award Identifier Number within the Governor & Executive Council Documentation. This will facilitate the approved contracts review step in this process, eliminate duplication of effort, and minimize the required interaction with the divisions themselves.

**Anticipated Completion Date**:

June 2014

**Contact Person:**

PJ Nadeau Jr. Financial Compliance Unit

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Health and Human Services*** ***Finding 2014-022***
***N.H. Department of Health and Human Services***

***CFDA 93.558 Temporary Assistance for Needy Families***

***Grant Year and Award***

***10/1/12 – 9/30/13 2013G996115***
***10/1/13 – 9/30/14 2014G996115***

***Finding: Hours worked by program participants used towards the compliance with annual work participation rates does not agree to supporting documentation***

**Criteria:**

The state agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, it must have in place procedures to (a) determine whether its work activities count for participation rate purposes; (b) determine how to count and verify hours of reported work; (c) identify who is a work-eligibly individual; and (d) control internal data transmission and accuracy. Each state agency must comply with its Health and Human Services (HHS) approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the State Family Assistance Grant (SFAG) for violation of this provision (42 USC 601, 602, 607, and 609); CFR sections 261.60, 261.61, 261.62, 261.63, 261.64 and 261.65).

**Condition:**

The Department for Health and Human Services (the Department) selects a sample of cases on a monthly basis made up of both on-going two parent family and other family (i.e. single or absent parent) during the following calendar month. Each sampled case is verified for accuracy of work or work-related activity hours reported. This verification is done via a match of New Heights system (the State of New Hampshire eligibility determination system) hours reported and supporting documentation collected from TANF participants (i.e. paystubs, statements from employers, etc.). During our testwork over the Department's verification process we noted for 2 of the 25 items selected for testwork, the hours worked per the participant's case file did not agree to the number of hours worked per the New Heights system.

**Cause:**

The cause of the condition found was a due to human error.

**Effect:**

The effect of the condition found is that inaccurate work hours could be reported by TANF participants, which could further result in an improper calculation of the State's work participation rates, as required for federal reporting.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### Questioned Costs:

None

**Recommendation:**

We recommend that the Department review its existing procedures and controls related to work verification to ensure that work and work related activity hours are properly and accurately reported in a consistent manner in order to ensure that the Department is in compliance with federal regulations.

**Auditee Corrective Action Plan:**

The Department agrees that all hours reported and documented by the client should be reported in the New Heights system for inclusion on the ACF 199/209 reports. All staff have been reminded that this is a requirement of their job duties and to be more diligent when reporting the number of hours worked.

**Anticipated Completion Date:**

April 1, 2015

**Contact Person:**

Mary Calise, Kerry Nelson, Mark Jewell

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Agriculture – Food and Nutrition Services*** ***Finding 2014-023***
***N.H. Department of Health and Human Services***

***CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)***

***Grant Year and Award:***
***10/1/12 – 9/30/13 2013IW100644***
***10/1/12 – 9/30/13 2013IW100344***
***10/1/13 – 9/30/14 2014CW200144***
***10/1/13 – 9/30/14 2014IW100344***
***10/1/13 – 9/30/14 2014IW100644***

***Finding: The Controls Incorporated into a Service Organization's Operations Relative to the NH WIC Program Should Be Periodically Evaluated to Determine Those Controls Continue to be Effective.***

**Criteria:**

2 CFR 215 dictates State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133,''Audits of States, Local Governments, and Non-Profit Organizations.'' Subpart C .300(b) of the circular states it is the responsibility of the auditee to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

In instances where program aspects and the related processes and internal controls are outsourced to organizations that provide services, and those program aspects and related processes and internal controls are significant to the State's compliance with the laws, regulations, and the provisions of grant agreements relative to the administration of federal awards; the State should periodically evaluate those program aspects and related processes and controls to determine they are and continue to be effective.

**Condition:**

The Department utilizes an integrated benefits management system, referred to as Starlinc, to administer the WIC program. The Department relies on this system to manage significant aspects of, and the related processes associated with, the issuance, tracking, and redemption of WIC food instruments issued in the form of paper vouchers by local WIC agencies and redeemed by program participants through WIC food vendors. The Department also relies on Starlinc to assist in the identification of high risk WIC vendors, track vendor activity, manage vendor payment discrepancies or denials, and calculate WIC food rebates due from manufacturers in accordance with contractual agreements. The Starlinc system is contractually hosted, maintained, and operated by a third party vendor.

During our audit it was noted the Department does not periodically evaluate the design and operating effectiveness of the processes and controls used by the service organization to obtain reasonable

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

assurance those processes and controls are designed effectively to prevent or detect and correct in a timely manner instances of non-compliance with the laws, regulations, and the provisions of WIC grant agreements.

The service organization has not provided, nor has the Department requested, a report on management's description of a service organization's system and the suitability of the design and operating effectiveness of controls (SOC 1 report). This report provides a description of the service organization's controls that may be relevant to a user organization's internal control, whether such controls were suitably designed to achieve specific control objectives, and whether they had been placed in operation as of a specific date. This report also provides for testing of the controls to determine that the controls were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the period specified.

This finding was also included in the prior year report.

**Cause:**

Although this finding was originally identified in the prior year audit of the WIC program, the Department has not yet incorporated a requirement for a SOC 1 report into the existing Starlinc contract or implemented additional internal controls relative to the system's performance. The Department states the presentation of this finding in the prior year audit overlapped the Department's request for proposals relative to renewal of the existing Starlinc contract. Accordingly, the requirement for the vendor to provide a SOC 1 report relative to Starlinc system controls was not included in the request for proposal. The Department states it is their intent to present the requirement for a SOC 1 report in a subsequent contract amendment once the current bidding process is complete and a new contract is executed.

**Effect:**

The Department has not ensured the controls that were designated to be in place within the Starlinc system are designed effectively to prevent material non-compliance with the laws, regulations, and the provisions of contracts or grant agreements of the WIC program and are in place and operating as intended.

**Questioned Costs:**

None

**Recommendation:**

The Department should require the service organization hosting, maintaining, and operating the Starlinc system to provide the Department with an annual SOC 1 report into the existing contract and ensure its incorporation into future requests for proposals and contracts. In the absence of a SOC 1 report, the Department should implement compensating controls as a means of obtaining reasonable assurance the processes incorporated into the Starlinc system are and continue to be designed properly and operate effectively to prevent non-compliance with the laws, regulations, and the provisions of contracts or grant agreements of the WIC program.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Auditee Corrective Action Plan:**

We concur and have discussed with the contractor requirement of a SOC-1 audit. The vendor issued a request for proposal for the service in January, are currently evaluating the response and will contact us once they have identified the contractor.

**Anticipated Completion Date**:

June 2015

**Contact Person**:

Dolores Cooper

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Agriculture – Food and Nutrition Services*** ***Finding 2014-024***
***N.H. Department of Health and Human Services***

***CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)***

***Grant Year and Award:***
***10/1/12 – 9/30/13 2013IW100344***
***10/1/13 – 9/30/14 2014IW100344***

***Finding: The Department Should Improve their Internal Controls Over and Compliance with the Cash Management Requirements of the WIC Program.***

**Criteria:**

U. S. Department of the Treasury (Treasury) regulations implementing the Cash Management Improvement Act of 1990 (CMIA) require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

Per the resulting Treasury State Agreement (TSA), the specific funding techniques prescribed for the WIC program require direct program costs to be drawn five days after payment of the related obligations and require administrative program costs to be drawn monthly.

Additionally, 2 CFR 215 dictates State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133,''Audits of States, Local Governments, and Non-Profit Organizations.'' Subpart C .300(b) of the circular states it is the responsibility of the auditee to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

**Condition:**

The Department of Health and Human Services (the Department) did not perform timely federal drawdowns for the WIC program during our audit period. During our testing it was noted the Department failed to draw federal funds in accordance with the clearance patterns and techniques prescribed within the TSA in 3 of 25 transactions related to the Department's Vendor Reimbursements, 6 of 17 transactions related to the Department's reimbursement of Nutrition Services and Administration (NSA) costs paid to local agencies, and in 2 of 4 of the Department's reimbursements for program administrative costs incurred by the Department. The untimely drawdowns identified during the audit were performed between two days earlier and over one month later than prescribed by the TSA.

There have been similar findings in prior year audits of the WIC program.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Cause:**

5 of the 6 transactions for the reimbursement of NSA costs to local agencies failed to meet the requirements of the TSA due to the Department's classification of the associated activity number used in the state's accounting system, NH First, as administrative program costs instead of direct program costs. This classification error also resulted in the direct program costs associated with these activity numbers being used in 2 of 4 of the Department's administrative draws during fiscal year 2014.

The remaining transactions identified failed to meet the requirements of the TSA. The Department's CMIA subsystem generates reports identifying expenditures that require federal reimbursements based on timing patterns associated with the transactions assigned activity number in NH First. Federal drawdowns are performed manually based on the CMIA reports; however, it is unknown if the errors identified in testing were associated with system programming within the CMIA or with the associated manual procedures.

**Effect:**

The Department was not in compliance with the cash management requirements of the WIC program.

**Questioned Costs:**

None

**Recommendation:**

The Department of Health and Human Services should strengthen their internal controls over and compliance with the cash management requirements of the WIC program.

**Auditee Corrective Action Plan:**

Several corrective actions have been made or are in process; FDM is currently looking into the issues related to CMIA to determine why the system created a draw 1 to 2 days early on the 3 transactions noted in the finding. Additionally, the State DHHS worked with the State Treasury to ensure that the necessary changes to the TSA accurately reflect the correct clearance/pattern technique in the CMIA. The 2014 TSA was amended and finalized effective September 30, 2014. For the issue with the classification of an activity number causing costs to be categorized as administrative, versus program, and therefore not drawn via CMIA, that activity number has been reclassified as CMIA.

**Anticipated Completion Date:**

Partially complete – balance to be completed by June 30, 2015

**Contact Person:**

Adrian Wayland, Director of Financial Operations

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Homeland Security*** ***Finding 2014-025***
***N.H. Department of Safety – Division of Homeland Security and Emergency Management***

***CFDA #97.036 Disaster Grants – Public Assistance***

***Grant Year and Award:***

| | |
|---|---|
| ***5/12/10-6/30/14*** | ***DRNH 1913 PA*** |
| ***9/3/11-9/3/15*** | ***DRNH 4026 PA*** |
| ***3/19/13-3/18/17*** | ***DRNH 4105 PA*** |
| ***8/02/13-8/02/17*** | ***DRNH 4139 PA*** |
| ***11/4/12-11/03/16*** | ***EM 3360 PA*** |
| ***6/15/12-6/14-16*** | ***DRNH 4065 PA*** |
| ***11/4/12-11/03/16*** | ***DRNH 4095 PA*** |

***Finding: FFATA Federal Reporting Requirements Should Be Complied With***

**Criteria:**

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) (P.L.109-282), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (P.L. 110-252), requires full disclosure to the public of Federal spending through a single searchable database that identifies all entities or organizations receiving Federal funds.

Prime grant awardees of Federal grants of $25,000 or more must report associated grant of $25,000 or more.

Sub-award information required for FFATA reporting:

- Name of entity receiving award
- Amount of award (obligated amount)
- Funding agency
- NAICS code
- Program source
- Award title descriptive of the purpose of the funding action
- Location of the entity (including congressional district)
- Place of performance (including congressional district)
- Unique identifier of the entity and its parent; and
- Total compensation and names of top five executives (prime or sub-awardee)

**Condition:**

The Department of Safety's Division of Homeland Security and Emergency Management (HSEM) regularly grants the majority of its federal Public Assistance to subgrantees. During the fiscal year ended June 30, 2014, HSEM subgranted $7.8M, or 99.63% of total federal funds received. Of a sample of 15 subrecipients of a population of 75 which received greater than $25,000 in federal funds during FY 14, the required FFATA information was not reported for six.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Similar findings were identified during the Single Audits for the fiscal year ended June 30, 2013 and June 30, 2012, respectively.

**Cause:**

HSEM became aware of the FFATA compliance requirements through the Single Audit for the fiscal year ended June 30, 2012. Corrective action plans were implemented subsequent to the fiscal year ended June 30, 2013. However, HSEM did not receive the completed FFATA information request forms from several of its subrecipients during the fiscal year ended June 30, 2014 and as such did not complete the required FFATA reporting information.

**Effect:**

HSEM was not in compliance with the FFATA reporting requirements for the fiscal year ended June 30, 2014.

**Questioned Costs:**

None

**Recommendation:**

HSEM should review the FFATA reporting requirements, establish and implement procedures to report the required subgrant information and therefore comply with Federal reporting requirements, including procedures to ensure that subrecipients complete the FFATA information request forms and return them on a timely basis.

**Auditee Corrective Action Plan:**

HSEM staff has reviewed and is fully aware of the Federal reporting requirements. Although we have been requiring these FFATA forms to be completed we have added a step in our application process that includes completing a FFATA form *before* the process is completed. The FFATA form has been added to all correspondence going out to new sub-grantees and is required as part of their initial grant paperwork. Grant paperwork is not considered complete and ready for processing until the FFATA has been completed.

**Contact Person:**

Leigh A. Cheney

**Anticipated Completion Date:**

Completed

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Homeland Security*** ***Finding 2014-026***
***N.H. Department of Safety – Division of Homeland Security and Emergency Management***

***CFDA #97.036 Disaster Grants – Public Assistance***

***Grant Year and Award:***

| | |
|---|---|
| ***9/3/11-9/3/15*** | ***DRNH 4026 PA*** |
| ***3/19/13-3/18/17*** | ***DRNH 4105 PA*** |
| ***8/02/13-8/02/17*** | ***DRNH 4139 PA*** |
| ***11/4/12-11/03/16*** | ***EM 3360 PA*** |
| ***6/15/12-6/14-16*** | ***DRNH 4065 PA*** |
| ***11/4/12-11/03/16*** | ***DRNH 4095 PA*** |
| ***5/12/10-6/30/14*** | ***DRNH 1913 PA*** |

***Finding: Subrecipient Monitoring Procedures Should Be Improved***

**Criteria:**

In accordance with 31 USC 7502(f)(2), each pass-through entity is responsible for reviewing and following up on subrecipient audit findings.

**Condition:**

During the fiscal year ended June 30, 2014, the Department of Safety's Division of Homeland Security and Emergency Management (HSEM) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements.

HSEM did not have procedures in place to review and follow up on subrecipient Single Audit reports during the fiscal year ended June 30, 2014. Out of a sample of 25 subrecipients, 24 were non-State agency subrecipients and therefore subject to HSEM Single Audit report monitoring review and follow up procedures. No evidence of the performance of monitoring review and follow up was observed.

A similar finding was identified during the Single Audits for the fiscal years ended June 30, 2013 and June 30, 2012.

**Cause:**

HSEM reported that lack of resources during the fiscal year ended June 30, 2014 contributed to the condition.

**Effect:**

HSEM was not in compliance with Subrecipient Monitoring requirements during the fiscal year ended June 30, 2014.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Questioned Costs:**

None

**Recommendation:**

HSEM should establish and implement procedures to review, and follow up on subrecipient single audits.

**Auditee Corrective Action Plan:**

NH Department of Safety, Division of HSEM tracks all Single Audits on a spreadsheet. This spreadsheet is used by Department of Safety for tracking all A-133 Audits.

We have improved upon this procedure by implementing a step in our process that will include a thorough check of the A-133 Single Audit for "Audit Findings." If a finding has been identified, HSEM will coordinate with the State of New Hampshire Department of Safety (DOS) Business Office to perform a monitoring review and follow up of any findings identified. This will be documented by HSEM and also by the DOS Business Office staff.

**Contact Person:**

Leigh A. Cheney

**Anticipated Completion Date:**

January 1, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Homeland Security*** ***Finding 2014-027***
***N.H. Department of Safety – Division of Homeland Security and Emergency Management***

***CFDA #97.036 Disaster Grants – Public Assistance***

***Grant Year and Award:***

| | |
|---|---|
| ***9/3/11-9/3/15*** | ***DRNH 4026 PA*** |
| ***3/19/13-3/18/17*** | ***DRNH 4105 PA*** |
| ***8/02/13-8/02/17*** | ***DRNH 4139 PA*** |
| ***11/4/12-11/03/16*** | ***EM 3360 PA*** |
| ***6/15/12-6/14-16*** | ***DRNH 4065 PA*** |
| ***11/4/12-11/03/16*** | ***DRNH 4095 PA*** |
| ***5/12/10-6/30/14*** | ***DRNH 1913 PA*** |

***Finding: Treasury- State Agreement (TSA) Requirements Should Be Complied With***

**Criteria:**

US Department of the Treasury (Treasury) regulations at 31 CFR part 2015, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq*.), require State Recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

Per the TSA Agreement:
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Recipient: Department of Safety
% of Funds Agency Receives: 97.00
Component: Direct Program
Technique: Actual Draw - Monthly
Average Day of Clearance: N/A
Recipient: Department of Safety
% of Funds Agency Receives: 3.00
Component: Administrative
Technique: Cost Allocation Plans - Monthly
Average Day of Clearance: N/A

**Condition:**

During the audit, we noted for 4 out of 25 cash draws tested, the Department of Safety did not comply with the applicable funding technique specified in the TSA for direct costs. We noted that the department was drawing more than monthly for the Disaster Assistance Program.

**Cause:**

The State misunderstood the TSA agreement as stating that the Draws should be performed “At Least” monthly.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Effect:**

The Department was not in compliance with the funding technique specified by the TSA Agreement.

**Questioned Costs:**

None

**Recommendation:**

For the direct costs, the Department misunderstood the funding technique to be utilized. The Department was drawing draws down funds multiple times a month. Although this may make business sense, it is not compliant with the approved method in the TSA Agreement.

We recommend the Department work with the Treasury department to change the approved funding technique to a Bi-Monthly Draw for direct costs to better align the TSA with practice.

**Auditee Corrective Action Plan:**

The Department was not aware of the changes made to the TSA to include the Public Assistance grants. Historically, these grants have not been included in the TSA.

The Department will work with the State Treasury Department to revise the TSA to ensure future compliance.

**Contact Person:**

Leigh A. Cheney

**Anticipated Completion Date:**

June 30, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***Department of the Interior*** ***Finding 2014-028***
***N.H. Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

| | | | |
|---|---|---|---|
| *7/1/13 - 6/30/14* | *F13AF00759* | *7/1/11 - 6/30/14* | *F11AF00517* |
| *7/1/13 - 6/30/14* | *F13AF00902* | *7/1/13 - 6/30/14* | *F13AF00824* |
| *7/1/13 - 6/30/14* | *F13AF00737* | *7/1/13 - 6/30/14* | *F13AF00901* |
| *1/1/13 - 12/31/13* | *F13AF00175* | *7/1/13 - 6/30/14* | *F13AF00690* |
| *1/1/14 - 12/31/14* | *F14AF00168* | *11/1/08 - 12/31/14* | *F09AF00086* |
| *8/7/13 - 6/30/14* | *F13AF01201* | *7/1/13 - 6/30/14* | *F13AF00851* |
| *2/1/13 - 12/31/13* | *F13AF00293* | *9/1/10 - 8/31/15* | *F11AF00850* |
| *2/21/13 - 6/30/15* | *F13AF00340* | *12/1/10 - 12/31/13* | *F11AF00842* |
| *10/1/12 - 9/30/17* | *F13AF00169* | *12/1/10 - 9/30/13* | *F11AF00844* |
| *7/1/13 - 6/30/14* | *F13AF00772* | *1/1/12 - 12/31/14* | *F12AF00190* |
| *7/1/13 - 6/30/14* | *F13AF00691* | *7/15/12 - 12/31/13* | *F12AF01379* |
| *7/1/13 - 6/30/14* | *F13AF00826* | *7/1/13 - 6/30/14* | *F13AF00674* |
| *7/1/13 - 6/30/14* | *F13AF00696* | *8/15/13 - 6/30/17* | *F13AF01123* |
| *7/1/13 - 6/30/14* | *F13AF00920* | *3/15/14 - 12/31/15* | *F14AF00331* |

***Finding: Internal controls and compliance over the subrecipient monitoring requirements should be improved***

**Criteria:**

Per (2 CFR 215) State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133,‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the circular states it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. This requirement includes maintaining a system of internal controls over the sub-recipient monitoring requirements of federal programs.

The OMB Circular A-133 Compliance Supplement states a pass-through entity is responsible for monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

**Condition:**

The Fish and Game Department (the Department) does not have adequate subrecipient monitoring procedures in place.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

During our audit, we noted the following deficiencies related to subrecipient monitoring:

- The Department does not have a formal policy in place regarding conducting subrecipient site visits during the award.
- The Department does not request and review A-133 single audit reports of Fish & Wildlife funding subrecipients, and as a result, does not follow up on any potential findings that could relate to compliance with Fish and Wildlife program cluster requirements.
- The Department does not maintain proof of compliance with all subrecipient monitoring requirements, as no documentation exists such as a checklist or spreadsheet validating that all requirements were reviewed and met.
- Current construction of MS Access database tracking contracts makes tracking and tallying subrecipient awards challenging

A similar finding has been noted in the prior single audit report.

**Cause:**

The Department lacks effective monitoring controls over the subrecipient monitoring requirement for the Fish and Wildlife Cluster.

**Effect:**

The Department's lack of effective monitoring controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster fostered an environment wherein effectively designed internal controls were not in place and operating as intended. The Department's failure to effectively implement the internal controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster resulted in noncompliance with the subrecipient monitoring requirements.

**Questioned Costs:**

Not determinable

**Recommendation:**

The Department should institute effective monitoring controls over the subrecipient monitoring requirements of the Fish & Wildlife Cluster, such as improved tracking of subrecipient contracts and status of associated monitoring elements. Also, annual site visits, and a review and follow up of annual subrecipient single audit reports and applicable findings, should be performed in order to ensure compliance with Federal regulations. We further recommend that the Department formally document these procedures in a grant policies and procedures manual.

**Auditee Corrective Action Plan:**

We concur with the finding. The Department does provide sub-recipients with applicable Federal award information, and maintains close contact with sub-recipients throughout the performance of sub-awards under the program cluster to ensure program objectives are met. Additionally, the Department requires and reviews periodic cost reports / invoices along with interim and final performance reports. The Department acknowledges, however, that sub-recipient tracking and monitoring controls should be improved and formalized. We will review compliance requirements and institute appropriate policy and

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

procedures to ensure effective monitoring controls over subrecipients at a level we can manage and maintain.

**Contact Person:**

Randy Curtis, Federal Aid Administrator

**Anticipated Completion Date:**

June 30, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***Department of the Interior*** ***Finding 2014-029***
***N.H. Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

| | | | |
|---|---|---|---|
| *7/1/13 - 6/30/14* | *F13AF00759* | *7/1/11 - 6/30/14* | *F11AF00517* |
| *7/1/13 - 6/30/14* | *F13AF00902* | *7/1/13 - 6/30/14* | *F13AF00824* |
| *7/1/13 - 6/30/14* | *F13AF00737* | *7/1/13 - 6/30/14* | *F13AF00901* |
| *1/1/13 - 12/31/13* | *F13AF00175* | *7/1/13 - 6/30/14* | *F13AF00690* |
| *1/1/14 - 12/31/14* | *F14AF00168* | *11/1/08 - 12/31/14* | *F09AF00086* |
| *8/7/13 - 6/30/14* | *F13AF01201* | *7/1/13 - 6/30/14* | *F13AF00851* |
| *2/1/13 - 12/31/13* | *F13AF00293* | *9/1/10 - 8/31/15* | *F11AF00850* |
| *2/21/13 - 6/30/15* | *F13AF00340* | *12/1/10 - 12/31/13* | *F11AF00842* |
| *10/1/12 - 9/30/17* | *F13AF00169* | *12/1/10 - 9/30/13* | *F11AF00844* |
| *7/1/13 - 6/30/14* | *F13AF00772* | *1/1/12 - 12/31/14* | *F12AF00190* |
| *7/1/13 - 6/30/14* | *F13AF00691* | *7/15/12 - 12/31/13* | *F12AF01379* |
| *7/1/13 - 6/30/14* | *F13AF00826* | *7/1/13 - 6/30/14* | *F13AF00674* |
| *7/1/13 - 6/30/14* | *F13AF00696* | *8/15/13 - 6/30/17* | *F13AF01123* |
| *7/1/13 - 6/30/14* | *F13AF00920* | *3/15/14 - 12/31/15* | *F14AF00331* |

***Finding: Request for reimbursements not performed timely***

**Criteria:**

Per 31 CFR, Subpart B, Section 205.32, the Fish and Game Department (the Department) is required to ensure that the timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

**Condition:**

During our testwork, we observed a delay of up to 10 months between when program funds were disbursed and when reimbursement was sought. We tested 40 expenditures consisting of 5 draws, and determined that the range from when cash was disbursed by the Department and when it was drawn down from the federal government was from 18 to 291 days, with one not drawn by the date of our audit fieldwork. More specifically, of those expenditures tested, funds for 14 were disbursed over a month prior to the draw date, 17 were over 60 days, 5 were over 90 days, and 2 were over 120 days.

A similar finding was included in the prior year single audit report.

**Cause:**

The Department has not implemented controls that ensure timely request for reimbursement.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Effect:**

The Department is not in compliance with cash management requirements as the timing and amount of funds transfers are not performed as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

**Questioned Costs:**

None

**Recommendation:**

The Department should review current cash management practices and institute controls to ensure the timely request of funds. We recommend that the Department take steps to reduce the time elapsing between disbursement and transfer of funds from the U.S. Treasury.

**Auditee Corrective Action Plan:**

We concur with the finding. Unfortunately in the two cases of the most time elapsing between the expense being incurred and the draw for reimbursement, the invoice was not coded as having federal funds associated with it therefore was not designated as a reimbursable expense. On the positive side, prior to any grant being closed out, the federal aid coordinator reviews the grant expenditures and upon this review is when these two invoices were discovered as not having been properly coded for reimbursement. This review will continue to ensure all grant costs are picked up even if they are missed when processed for payment.

As of the time of this writing, all of our reimbursements are current and we will continue to make every effort to remain on a biweekly schedule.

**Contact Person:**

Kathy LaBonte, Administrator III

**Anticipated Completion Date:**

Completed

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***Department of the Interior*** ***Finding 2014-030***
***N.H. Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

| | | | |
|---|---|---|---|
| *7/1/13 - 6/30/14* | *F13AF00759* | *7/1/11 - 6/30/14* | *F11AF00517* |
| *7/1/13 - 6/30/14* | *F13AF00902* | *7/1/13 - 6/30/14* | *F13AF00824* |
| *7/1/13 - 6/30/14* | *F13AF00737* | *7/1/13 - 6/30/14* | *F13AF00901* |
| *1/1/13 - 12/31/13* | *F13AF00175* | *7/1/13 - 6/30/14* | *F13AF00690* |
| *1/1/14 - 12/31/14* | *F14AF00168* | *11/1/08 - 12/31/14* | *F09AF00086* |
| *8/7/13 - 6/30/14* | *F13AF01201* | *7/1/13 - 6/30/14* | *F13AF00851* |
| *2/1/13 - 12/31/13* | *F13AF00293* | *9/1/10 - 8/31/15* | *F11AF00850* |
| *2/21/13 - 6/30/15* | *F13AF00340* | *12/1/10 - 12/31/13* | *F11AF00842* |
| *10/1/12 - 9/30/17* | *F13AF00169* | *12/1/10 - 9/30/13* | *F11AF00844* |
| *7/1/13 - 6/30/14* | *F13AF00772* | *1/1/12 - 12/31/14* | *F12AF00190* |
| *7/1/13 - 6/30/14* | *F13AF00691* | *7/15/12 - 12/31/13* | *F12AF01379* |
| *7/1/13 - 6/30/14* | *F13AF00826* | *7/1/13 - 6/30/14* | *F13AF00674* |
| *7/1/13 - 6/30/14* | *F13AF00696* | *8/15/13 - 6/30/17* | *F13AF01123* |
| *7/1/13 - 6/30/14* | *F13AF00920* | *3/15/14 - 12/31/15* | *F14AF00331* |

***Finding: Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements***

**Criteria:**

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) (P.L.109-282), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (P.L. 110-252), requires full disclosure to the public of Federal spending through a single searchable database that identifies all entities or organizations receiving Federal funds.

Prime grant awardees of Federal grants of $25,000 or more must report associated grant first-tier subgrants of $25,000 or more.

Sub-award information required for FFATA reporting:

- Name of entity receiving award
- Amount of award (obligated amount)
- Funding agency
- NAICS code
- Program source
- Award title descriptive of the purpose of the funding action
- Location of the entity (including congressional district)
- Place of performance (including congressional district)
- Unique identifier of the entity and its parent; and
- Total compensation and names of top five executives (prime or sub-awardee)

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Condition:**

During the audit, we noted that the Fish and Game Department (the Department) did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements for the Fish and Wildlife program cluster. Specifically, for the three subrecipient awards selected, only one had a report filed on USASpending.gov prior to the audit request date. Additionally, this one subaward was not filed within the required timeframe. While the client did experience some difficulty filing, good faith effort does not apply here, as an attempt to file was not made during the required time frame and two weren't filed at all.

A similar finding was included in the fiscal 2013 single audit report.

**Cause:**

Although the Department was aware of FFATA reporting requirements, it did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements.

**Effect:**

The Department is not in compliance with the FFATA reporting requirement.

**Questioned Costs:**

None

**Recommendation:**

The Department should review the FFATA reporting requirements and establish controls and institute procedures to report the required subgrant information accurately and timely and, therefore, comply with the FFATA reporting requirements.

**Auditee Corrective Action Plan:**

We concur with the finding. The Department has developed an information sheet regarding FFATA requirements to aid in collecting the necessary sub-recipient information, and has submitted reports. However, we did not successfully implement procedures to ensure reporting was completed consistently and timely. The Department will institute effective procedures to comply with FFATA reporting requirements as necessary in the future.

**Contact Person:**

Randy Curtis, Federal Aid Administrator

**Anticipated Completion Date:**

June 30, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***Department of the Interior*** ***Finding 2014-031***
***N.H. Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

| | | | |
|---|---|---|---|
| *7/1/13 - 6/30/14* | *F13AF00759* | *7/1/11 - 6/30/14* | *F11AF00517* |
| *7/1/13 - 6/30/14* | *F13AF00902* | *7/1/13 - 6/30/14* | *F13AF00824* |
| *7/1/13 - 6/30/14* | *F13AF00737* | *7/1/13 - 6/30/14* | *F13AF00901* |
| *1/1/13 - 12/31/13* | *F13AF00175* | *7/1/13 - 6/30/14* | *F13AF00690* |
| *1/1/14 - 12/31/14* | *F14AF00168* | *11/1/08 - 12/31/14* | *F09AF00086* |
| *8/7/13 - 6/30/14* | *F13AF01201* | *7/1/13 - 6/30/14* | *F13AF00851* |
| *2/1/13 - 12/31/13* | *F13AF00293* | *9/1/10 - 8/31/15* | *F11AF00850* |
| *2/21/13 - 6/30/15* | *F13AF00340* | *12/1/10 - 12/31/13* | *F11AF00842* |
| *10/1/12 - 9/30/17* | *F13AF00169* | *12/1/10 - 9/30/13* | *F11AF00844* |
| *7/1/13 - 6/30/14* | *F13AF00772* | *1/1/12 - 12/31/14* | *F12AF00190* |
| *7/1/13 - 6/30/14* | *F13AF00691* | *7/15/12 - 12/31/13* | *F12AF01379* |
| *7/1/13 - 6/30/14* | *F13AF00826* | *7/1/13 - 6/30/14* | *F13AF00674* |
| *7/1/13 - 6/30/14* | *F13AF00696* | *8/15/13 - 6/30/17* | *F13AF01123* |
| *7/1/13 - 6/30/14* | *F13AF00920* | *3/15/14 - 12/31/15* | *F14AF00331* |

***Finding: Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting***

**Criteria:**

Per the Single Audit Act Amendments of 1996 and OMB Circular A-133, the State is required to report cash basis expenditures of Federal awards during the fiscal year on the Schedule of Expenditures of Federal Awards (SEFA).

**Condition:**

During our testwork, we noted that the initial drafts of the Fish & Wildlife Cluster amount reported on the SEFA by the Fish and Game Department (the Department), did not use the proper cut off to account for expenditures. The SEFA was later revised, after audit by us, to account for the expenditures that were paid in fiscal 2014, but not reimbursed until the following fiscal year.

The State's accounting system is unable to provide the detail required for grant reporting purposes. As such, the Department has utilized QuickBooks software for grant tracking purposes. However, the outdated version of the software used does not allow for the allocation of expenditures between the federally funded portion and the State match portion. As a result, the Department reports Federal revenues, which represent reimbursements of the portion of expenditures allocated to the Federal grants. The current process in place is dependent on a manual operation that one person controls in QuickBooks, that is not linked nor reconciled to the State of New Hampshire's financial management system, except for Federal revenues. Without the ability to reconcile the two systems for expenditures; the Department will have difficulty ensuring proper cut off for expenditure reporting.

A similar finding was included in the prior year single audit report.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Additionally, we noted that the total pass-through percentages as calculated in dollars reported on the SEFA did not agree to subrecipient award information provided as part of our audit testwork. The difference is approximately $298,000, which is immaterial to the program cluster as a whole, but points to a control deficiency over SEFA reporting.

**Cause:**

The Departments utilizes accounting software (QuickBooks) that is autonomous from the State of New Hampshire financial management system and the Department reconciles the Federal revenue, but does not attempt to reconcile the two systems for Federal expenditures. Additionally, the version of the software used does not meet the reporting requirements of the Department.

**Effect:**

The potential for inaccurate reporting of SEFA expenditures is increased as there are inadequate controls over the accuracy of SEFA reporting.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department put into place processes and procedures, such as implementing the New Hampshire grants module or upgrading the version of the QuickBooks software used to a current one with expanded tracking and reporting capabilities, as well as enabling the reconciliation of expenditures with Lawson. In addition, the upgraded version of QuickBooks will have the added benefit of being supported by the developer's Information Technology department in the event of a problem with the data file, and allow the Department to track all grants in one data file. Additionally, we recommend that the pass-through percentages and expenditures reported on the SEFA are reconciled with department expenditures and sub award records.

**Auditee Corrective Action Plan:**

We concur with the finding. As we have caught up on our reimbursement requests, the accuracy of the SEFA reporting of expenditures has improved. We are now reporting expenditures on a cash basis as required on the SEFA report. The NHFIRST grants module is not currently available for use; however we do plan on exploring the purchase of an updated version of QuickBooks for our internal recordkeeping.

**Contact Person:**

Kathy LaBonte, Administrator III

**Anticipated Completion Date:**

June 30, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***Department of the Interior*** ***Finding 2014-032***
***N.H. Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

| | | | |
|---|---|---|---|
| *7/1/13 - 6/30/14* | *F13AF00759* | *7/1/11 - 6/30/14* | *F11AF00517* |
| *7/1/13 - 6/30/14* | *F13AF00902* | *7/1/13 - 6/30/14* | *F13AF00824* |
| *7/1/13 - 6/30/14* | *F13AF00737* | *7/1/13 - 6/30/14* | *F13AF00901* |
| *1/1/13 - 12/31/13* | *F13AF00175* | *7/1/13 - 6/30/14* | *F13AF00690* |
| *1/1/14 - 12/31/14* | *F14AF00168* | *11/1/08 - 12/31/14* | *F09AF00086* |
| *8/7/13 - 6/30/14* | *F13AF01201* | *7/1/13 - 6/30/14* | *F13AF00851* |
| *2/1/13 - 12/31/13* | *F13AF00293* | *9/1/10 - 8/31/15* | *F11AF00850* |
| *2/21/13 - 6/30/15* | *F13AF00340* | *12/1/10 - 12/31/13* | *F11AF00842* |
| *10/1/12 - 9/30/17* | *F13AF00169* | *12/1/10 - 9/30/13* | *F11AF00844* |
| *7/1/13 - 6/30/14* | *F13AF00772* | *1/1/12 - 12/31/14* | *F12AF00190* |
| *7/1/13 - 6/30/14* | *F13AF00691* | *7/15/12 - 12/31/13* | *F12AF01379* |
| *7/1/13 - 6/30/14* | *F13AF00826* | *7/1/13 - 6/30/14* | *F13AF00674* |
| *7/1/13 - 6/30/14* | *F13AF00696* | *8/15/13 - 6/30/17* | *F13AF01123* |
| *7/1/13 - 6/30/14* | *F13AF00920* | *3/15/14 - 12/31/15* | *F14AF00331* |

***Finding: Incomplete equipment inventory count***

**Criteria:**

Per 2 CFR section 215.34, a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

**Condition:**

During our testwork, we noted that two of the divisions of the Fish and Game Department (the Department) that held equipment purchased with Fish & Wildlife program cluster funds did not have inventory counts for fiscal years 2013 and 2014 due to an oversight. Also, we noted that the condition of equipment listed in the database did not always reflect the observed condition.

Current inventory procedures require a “sheet to floor” inventory to be conducted, but does not require a “floor to sheet” procedure. Additionally, the Department does not require that the inventory be conducted on the same day in each division. As such, there is an increased risk that equipment transfers between divisions will not be counted.

A similar finding has been noted in the prior year single audit report.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Cause:**

The Department‘s controls need to be strengthened to ensure that a physical inventory of equipment shall be taken and the results, including condition, are reconciled with the equipment records at least once every two years.

**Effect:**

The Department is not in compliance with equipment management requirements regarding physical counts of equipment acquired under Federal awards. The incomplete counts do not allow the Department to resolve any potential differences between the physical inventory and equipment records for the effected divisions.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department institute effective controls over equipment management, such as improved tracking of equipment management requirements, maintaining an inventory count by division, and resolving inventory discrepancies identified, if any, in order to ensure compliance.

**Auditee Corrective Action Plan:**

We concur with the finding. This finding was also on our 2013 audit. Our response at that time was due to new personnel in the position who did not have a clear understanding of our inventory process. As stated then, this has been corrected and will not be an issue moving forward.

**Contact Person:**

Kathy LaBonte, Administrator III

**Anticipated Completion Date:**

Completed

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***Department of the Interior*** ***Finding 2014-033***
***N.H. Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

| | | | |
|---|---|---|---|
| *7/1/13 - 6/30/14* | *F13AF00759* | *7/1/11 - 6/30/14* | *F11AF00517* |
| *7/1/13 - 6/30/14* | *F13AF00902* | *7/1/13 - 6/30/14* | *F13AF00824* |
| *7/1/13 - 6/30/14* | *F13AF00737* | *7/1/13 - 6/30/14* | *F13AF00901* |
| *1/1/13 - 12/31/13* | *F13AF00175* | *7/1/13 - 6/30/14* | *F13AF00690* |
| *1/1/14 - 12/31/14* | *F14AF00168* | *11/1/08 - 12/31/14* | *F09AF00086* |
| *8/7/13 - 6/30/14* | *F13AF01201* | *7/1/13 - 6/30/14* | *F13AF00851* |
| *2/1/13 - 12/31/13* | *F13AF00293* | *9/1/10 - 8/31/15* | *F11AF00850* |
| *2/21/13 - 6/30/15* | *F13AF00340* | *12/1/10 - 12/31/13* | *F11AF00842* |
| *10/1/12 - 9/30/17* | *F13AF00169* | *12/1/10 - 9/30/13* | *F11AF00844* |
| *7/1/13 - 6/30/14* | *F13AF00772* | *1/1/12 - 12/31/14* | *F12AF00190* |
| *7/1/13 - 6/30/14* | *F13AF00691* | *7/15/12 - 12/31/13* | *F12AF01379* |
| *7/1/13 - 6/30/14* | *F13AF00826* | *7/1/13 - 6/30/14* | *F13AF00674* |
| *7/1/13 - 6/30/14* | *F13AF00696* | *8/15/13 - 6/30/17* | *F13AF01123* |
| *7/1/13 - 6/30/14* | *F13AF00920* | *3/15/14 - 12/31/15* | *F14AF00331* |

***Finding: Management Review controls over SF-425 financial reports not operating effectively***

**Criteria:**

*Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)).* Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

**Condition:**

For one report selected, the State Expenditures amount on the SF 425 was incorrect due to administrative error. The Federal Financial Report reports $166,534 instead of $168,982, under-reporting the State match. Per discussion with management, this report was revised and will be re-submitted with correct amount. We note that this error does not affect matching requirements, but does point to a deficiency in the management review control.

**Cause:**

Ineffective management review controls did not catch this reporting error.

**Effect:**

Management submitted a SF-425 financial report that contained an error and the risk of other reporting errors is increased as the precision of the review control wasn't at the level required to ensure the amount reported was correct.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department institute effective controls over SF-425 reporting, such as a check of mathematical accuracy by someone other than the preparer.

**Auditee Corrective Action Plan:**

We concur with the finding, a mathematical error was found on one SF-425 report audited. Management does currently check for mathematical errors, unfortunately, this was missed.

**Contact Person:**

Kathy LaBonte, Administrator III

**Anticipated Completion Date:**

Completed

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***Department of the Interior*** ***Finding 2014-034***
***N.H. Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

| | | | |
|---|---|---|---|
| *7/1/13 - 6/30/14* | *F13AF00759* | *7/1/11 - 6/30/14* | *F11AF00517* |
| *7/1/13 - 6/30/14* | *F13AF00902* | *7/1/13 - 6/30/14* | *F13AF00824* |
| *7/1/13 - 6/30/14* | *F13AF00737* | *7/1/13 - 6/30/14* | *F13AF00901* |
| *1/1/13 - 12/31/13* | *F13AF00175* | *7/1/13 - 6/30/14* | *F13AF00690* |
| *1/1/14 - 12/31/14* | *F14AF00168* | *11/1/08 - 12/31/14* | *F09AF00086* |
| *8/7/13 - 6/30/14* | *F13AF01201* | *7/1/13 - 6/30/14* | *F13AF00851* |
| *2/1/13 - 12/31/13* | *F13AF00293* | *9/1/10 - 8/31/15* | *F11AF00850* |
| *2/21/13 - 6/30/15* | *F13AF00340* | *12/1/10 - 12/31/13* | *F11AF00842* |
| *10/1/12 - 9/30/17* | *F13AF00169* | *12/1/10 - 9/30/13* | *F11AF00844* |
| *7/1/13 - 6/30/14* | *F13AF00772* | *1/1/12 - 12/31/14* | *F12AF00190* |
| *7/1/13 - 6/30/14* | *F13AF00691* | *7/15/12 - 12/31/13* | *F12AF01379* |
| *7/1/13 - 6/30/14* | *F13AF00826* | *7/1/13 - 6/30/14* | *F13AF00674* |
| *7/1/13 - 6/30/14* | *F13AF00696* | *8/15/13 - 6/30/17* | *F13AF01123* |
| *7/1/13 - 6/30/14* | *F13AF00920* | *3/15/14 - 12/31/15* | *F14AF00331* |

***Finding: Incorrect amounts were used in the indirect cost calculations***

**Criteria:**

2 CFR part 225/OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards. Per subsection C.2(b), both the direct costs and the indirect costs shall exclude unallowable costs and be properly supported.

**Condition:**

Indirect costs are calculated based on an indirect cost calculation method approved by the U.S. Department of the Interior that is used as a basis to bill the Federal government for indirect costs applicable to the Fish and Wildlife cluster.

For all of the employees in the affected indirect cost calculations (3 of 5), the prior annual salary was used in the calculation of the benefit percentage (component of indirect costs calculation). While this issue did not lead to questioned costs, it does point to a control deficiency over this calculation.

For our sample selections after March 21, 2014 (1 of 5), the incorrect amount was used for the health insurance costs for all employees in the calculation, leading to questioned costs that were not determinable by management at the conclusion of the audit period. Health insurance costs are an input into the fringe rate calculation which is then applied to components of the payroll base in the indirect cost calculation.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Cause:**

Management review controls over the indirect cost allocation are not in place.

**Effect:**

Errors in the indirect cost calculation were not caught by existing controls.

**Questioned Costs:**

Not determinable

**Recommendation:**

We recommend that the Department institute effective controls over the indirect cost calculation, such as a check of mathematical accuracy by someone other than the preparer and Human Resource approval of calculation inputs.

**Auditee Corrective Action Plan:**

We partially concur. Although there was an error in the indirect cost calculation, it was not due to mathematical accuracy on the part of the preparer. The calculations were correct using the salary and benefit payroll information provided by Human Resources. The information provided was not updated with the latest changes in benefit calculations.

We did perform a recalculation on one payroll using the corrected percentages. This calculation indicated a difference of less than $600 for the pay period, in under payments. We determined this was immaterial to warrant adjustments.

We will not have Human Resources review our calculation inputs as they are not responsible for the indirect cost calculations; they only supply the base information.

**Contact Person:**

Kathy LaBonte, Administrator III

**Anticipated Completion Date:**

Completed

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

| | |
|---|---|
| ***U.S. Department of Health and Human Services*** | ***Finding 2014-035*** |
| ***N.H. Office of Energy and Planning*** | |
| ***CFDA # 93.568*** | ***Low Income Home Energy Assistance Program*** |
| ***Grant Year and Award:*** | |
| ***10/01/2013 – 9/30/2015*** | ***G-14B1NHLIEA*** |

***Finding: Internal controls over the subrecipient monitoring requirements should be improved***

**Criteria:**

The State Office of Energy and Planning (OEP) is required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements (2 CFR 215). This includes internal controls designed to assure program management that the subrecipient monitoring requirements are being met.

**Condition:**

The OEP monitors LIHEAP subrecipients by conducting program monitoring activities which entails fiscal and application monitoring. These activities are designed to evaluate a subrecipient's compliance with LIHEAP requirements and the efficiency and effectiveness of the subrecipient's administration of and internal controls over LIHEAP. Per the OEP program and procedures manual, results of such monitoring activities, along with recommended improvements, are officially documented in reports which are then shared with the respective subrecipients. The subrecipients are then required to respond within the given timeframe.

For 1 of 4 subrecipients tested, we noted the subrecipient failed to respond within the given timeframe to OEP's initial request for a corrective action plan and remediation procedures resulting from the subrecipient's 2013 A-133 audit. The timeframe given was 2 weeks from the date of the report. OEP conducted further follow up as a result of our audit requests in December 2014, at which time the subrecipient provided partial responses to OEP's requests.

A similar finding was included in the prior year audit report.

**Cause:**

Management was not consistent in applying its follow up procedures outlined in its Program and Procedures Manual, and likewise failed to execute action against the subrecipient that showed noncompliance, as outlined in its procedures.

**Effect:**

OEP's lack of effective monitoring controls of the CAA's may result in noncompliance with the subrecipient monitoring requirements.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Questioned Costs:**

None

**Recommendation:**

OEP should strengthen controls to ensure that the subrecipient program monitoring follow up procedures are properly and effectively executed to ensure that the department is in compliance, and to ensure that subrecipients are appropriately resolving issues that may affect the administration of the LIHEAP program.

**Auditee Corrective Action Plan:**

OEP concurs and has made changes to its procedures to ensure that follow up procedures are in place and are being implemented by staff.

**Contact Person:**

Meredith A. Hatfield, Director

**Anticipated Completion Date:**

February 27, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

| | |
|---|---|
| ***U.S. Department of Health and Human Services*** | ***Finding 2014-036*** |
| ***N.H. Office of Energy and Planning*** | |
| ***CFDA # 93.568*** | ***Low Income Home Energy Assistance Program*** |
| ***Grant Year and Award:*** | |
| ***10/01/2013 – 9/30/2015*** | ***G-14B1NHLIEA*** |

***Finding: OEP should establish internal controls over and comply with the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA)***

**Criteria:**

The Federal Funding Accountability and Transparency Act (FFATA)– P.L. 109-282, as amended by section 6202 (a) of P.L. 110-252) requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards. FFATA prescribes specific pieces of information to be reported. For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Sub-award Reporting System (FSRS) and report sub-award data through FSRS. To do so, they are first required to register in Central Contractor Registration (CCR) (if they have not done so previously for another purpose, e.g., submission of applications through Grants.gov) and actively maintain that registration. Prime contractors have previously been required to register in CCR. Grant and cooperative agreement recipients and contractors must report information related to a sub-award by the end of the month following the month in which the sub-award or obligation of $25,000 or greater was made and, for contracts, the month in which a modification was issued that changed previously reported information.

**Condition:**

Management reports all contracts under the LIHEAP program above $25,000 that are made at the beginning of the program year.

During our testing of 9 contracts subjected to FFATA reporting and submitted during fiscal year 2014, we found that 8 selections were not reported by the end of the month following the month of sub-award or obligation. All contracts tested were listed as being obligated in October 2013. Contracts are considered obligated when amounts are approved by Governor and Council. We note report submission under the Transparency Act did not occur until January 9, 2014.

Further, 1 of the subrecipient contract amounts represented an amendment of $800,000 to an initial contract amount of $5.9 million. This amended amount was not submitted under the Transparency Act.

A similar finding was included in the prior year audit report.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Cause:**

Management failed to perform a proper review of the listing of all contracts and their amendments to ensure all amounts meeting the FFATA requirement were reported, and done so in a timely manner.

**Effect:**

The Department was not in compliance with the FFATA regulations and reporting for fiscal year 2014.

**Questioned Costs:**

None

**Recommendation:**

OEP should strengthen its processes to identify and track contracts and subgrants subject to the FFATA regulations, in order to ensure that all registration and reporting requirements are being adhered to, including timeliness of reporting.

**Auditee Corrective Action Plan:**

OEP concurs with this finding. OEP has adjusted staff responsibilities for FFATA reporting for all grants. This reporting responsibility is now a Business Office responsibility in order to ensure that OEP meets its compliance responsibilities related to FFATA. The new responsibilities and procedures will be fully implemented by February 27, 2015.

**Contact Person:**

Meredith A. Hatfield, Director

**Anticipated Completion Date:**

February 27, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Labor*** ***Finding 2014-037***
***N.H. Department of Employment Security***

***CFDA #17.225 Unemployment Insurance***

***Grant Year and Award:***

| | |
|---|---|
| ***2010*** | ***UI-19597-10-55-A-33*** |
| ***2011*** | ***UI-21114-11-55-A-33*** |
| ***2012*** | ***UI-22327-12-55-A-33*** |
| ***2013*** | ***UI-23906-13-55-A-33*** |
| ***2014*** | ***UI-25219-14-55-A-33*** |

***Finding: Controls over Federal Reporting Procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements.***

**Criteria:**

*UI Reports Handbook No. 401* states:
"It is the policy of the Office of Workforce Security (OWS) to assure accuracy, uniformity, and comparability in the reporting of statistical data derived from state unemployment insurance operations through state adherence to Federal definitions of reporting items, use of specific formats, observance of reporting due dates, and regular verification of reporting items."

"All applicable data on the ETA 227 [the Overpayment Detection and Activity Recoveries report] should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system."

**Condition:**

The Department of Employment Security (Department) is responsible for submitting quarterly and monthly reports to the US Department of Labor (USDOL) related to the Unemployment Insurance (UI) program in New Hampshire. The UI program requires reports to be submitted timely and to contain complete and accurate data at the time of submission.

Reporting requirements deemed direct and material to the UI program included five report types, for example, the Financial Status Reports (ETA 9130), UI Financial Transaction Summary reports (ETA 2112), Contribution Operations reports (ETA 581), Financial Status of UCFE/UCX Reports (ETA 191), and Overpayment Detection and Recovery Activities reports (ETA 227).

For the two ETA 227 reports tested, out of a sample of 11 report types listed above, we were able to agree some of the reported information to supporting documentation but not all. The ETA 227 is used to report fraudulent or non-fraudulent overpayment information, causes, methods of detection, and recovery information, The Department indicated the source of the report information is the NHUIS system and it is known, by the Department and US DOL that the reporting function for the ETA 227 report is not functioning properly. Purportedly, the data being reported is the best information available at the time the report is due. This has been a recurring issue since the implementation of the NHUIS system in 2009 and remained unresolved for State fiscal year 2014. As a result, we were unable to obtain reasonable assurance reports were accurate and complete.

A similar finding was included in the prior year report.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Cause:**

Unreliable data is generated from the NHUIS system for the ETA 227 reports.

**Effect:**

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program, as amounts and statistics reported have not been supported with accurate data as noted above.

**Questioned Costs:**

None

**Recommendation:**

The Department should strengthen its controls over the Reporting Compliance requirement and ensure all activity of the reported period is accurate, reliable, supported by applicable accounting and performance records, and presented in accordance with applicable UI requirements.

Specifically, the Department should continue to diligently work on correcting the reporting function of the NHUIS system to ensure underlying reporting data for the ETA 227 reports are properly generated.

**Auditee Corrective Action Plan:**

Overpayment Module Business Process Review and Reengineering project was completed 9/30/2014. Several changes were implemented that improved the accuracy of the ETA 227. The 4th quarter 2014 report is the first to be impacted by these changes. The data supporting that report is currently under review. Any anomalies noted will be documented and addressed. Since this is a quarterly report whereby only 4 reports are generated each year, each change takes a considerable period of time to show results and provide a “clean” quarter for review.

NHES continues to work closely with the vendor supporting the benefit payment system to review, document and address any discrepancies in reporting. Data Validation populations for not only the ETA 227 report addressed in this audit but also the 5159, 9050, 9051, 586 and 9159 are currently being focused on. As each population and corresponding reports are analyzed in minute detail, items are addressed. This is a painstaking and lengthy process. While work has been ongoing since implementing the new benefit payment system and included in multiple projects such as the Appeals Module Reengineering (2011-2012) and Overpayment Module Reengineering (2013-2015), a focused team was created and has met bi-weekly since October 2014 to bring additional focus to Data Validation and Report Validation. NHES is committed to accuracy in reporting.

**Contact Person:**

Dianne Carpenter, UCB Director

**Anticipated Completion Date:**

September 30, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Veterans Affairs*** ***Finding 2014-038***
***N.H. Veterans Home***

***CFDA #64.015 Veterans State Nursing Home Care***

***Grant Year: 2014***

***Finding: Controls over Ensuring Contractors Are Neither Suspended Nor Debarred Should Be Established And Implemented***

**Criteria:**

2 CFR 180.300 states, "When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the Excluded Party List System; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person."

A covered transaction is described in 2 CFR 180.220 (b) (1) as a contract for goods or services awarded by a participant in a nonprocurement transaction that is covered under section 180.210, and the amount of the contract is expected to equal or exceed $25,000.

**Condition:**

Prior to January 2014, the Veterans Home (Home) had no controls in place to ensure its contractors were not suspended or debarred. In January 2014, the Home began requiring vendors bidding on contracts to certify the vendor was not debarred via a notarized signature on the bid transmittal letter. The certifications required of the vendor were silent regarding whether the vendor was suspended. While testing revealed no suspended or debarred parties, for 1 of the 3 contracts tested the Home did not establish whether the vendor was suspended. The contracting process for that particular contract began in January 2014 at the same time the Home instituted vendor certifications. For the remaining 2 of the 3 contracts tested, neither included a vendor certification or clause regarding suspension and debarment and neither were subjected to verification of their suspension/debarment status through a review of the Excluded Party List System (EPLS). The contracting process for both of those contracts had begun prior to the Home requiring vendor certifications in January 2014.

A similar finding was identified during the Single Audits for the fiscal year ended June 30, 2012 and for the fiscal year ended June 30, 2013.

**Cause:**

During March 2013 and as a result of the prior fiscal year 2012 Single Audit, the Home became aware it was subject to 2 CFR 180.300. During the remainder of the fiscal year ended June 30, 2013 and continuing on until January 2014 the Home did not establish and implement controls to ensure its contractors were neither suspended nor debarred.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Effect:**

By failing to comply with 2 CFR 180.300, the Home risks inadvertent contracting with suspended or debarred parties.

**Questioned Costs:**

None

**Recommendation:**

The Home should establish the procedures outlined in 2 CFR 180.300, such as (a) Checking the Excluded Party List System; or (b) Collecting a certification; or (c) Adding a clause or condition to the covered transaction; and implement controls to ensure compliance with the 2 CFR 180.300 regulations occurs. Both suspension and debarment should be considered when applying any of the procedures and documenting same.

**Auditee Corrective Action Plan:**

The Home has established the procedures outlined in 2 CFR 180.300, such as (a) Checking the Excluded Party List System; or (b) Collecting a certification; or (c) Adding a clause or condition to the covered transaction; and implement controls to ensure compliance with the 2 CFR 180.300 regulations.

**Contact Person:**

Margaret D. LaBrecque

**Anticipated Completion Date:**

September 30, 2014

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Veterans Affairs*** ***Finding 2014-039***
***N.H. Veterans Home***

***CFDA #64.015 Veterans State Nursing Home Care***

***Grant Year: 2014***

***Finding: Controls over Per Diem Requests Should Be Improved***

**Criteria:**

The regulations codified at 38 CFR Part 51, *Per Diem For Nursing Home Care Of Veterans In State Homes*, set forth the mechanism for the Department of Veterans Affairs (VA) to pay per diem to State homes providing nursing home care to eligible veterans.

38 CFR 51.43(c) states per diem will be paid for each day that the veteran is receiving care and has an overnight stay. In cases where the nursing home is at 90% or more capacity, 38 CFR 51.43(c), allows for per diem to be paid under certain circumstances when the veteran has no overnight stay. However, since the Veterans Home (Home) did not reach 90% capacity during the fiscal year ended June 30, 2014, an overnight stay was required in all cases when requesting per diem.

**Condition:**

The Home performs its daily census count at midnight. Manual hardcopy census sheets are completed by nursing staff for each of the Home's five residential units and submitted to the Home's Medical Records section. Using the daily census, Medical Records compiles the Daily Report of New Hampshire Veterans Home (Daily Report) for a respective month. The Daily Report presents the census number and census gains and losses for each day of the month. The census numbers from the Daily Report drive the Home's monthly request for per diem, requested via submission of VA Form 10-5588, *State Home Report and Statement of Federal Aid Claimed*. During the fiscal year ended June 30, 2014, the Home received a per diem of $97.07 for each eligible veteran for the three months ended September 30, 2013 and a per diem of $100.37 for the remainder of the fiscal year. In total the Home received $8.1 million in per diem for the fiscal year period.

During the audit we noted the Home was requesting and receiving per diem for veterans who were absent from the Home and did not have overnight stays, which is counter to 38 CFR 51.43(c). We examined the daily census sheets completed by the nursing staff for four of the twelve months of the fiscal year ended June 30, 2014, and at the auditor's request the Home also provided a list of those veterans who were absent overnight and improperly included in the daily census during the fiscal year. That testing yielded 120 instances of veterans absent overnight and included in the Home's request for per diem. Those 120 instances represent $11,954 in requested and received per diem.

**Cause:**

The Home applied noncurrent federal regulations. Prior to April 2009, 38 CFR 51.40 allowed for per diem to be paid for a veteran's absence up to 96 consecutive hours in duration. Post April 2009, the regulations (38 CFR 51.43(c)), required overnight stays for per diem to be paid unless the facility was at 90% or more capacity.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### Effect:

By failing to comply with 38 CFR 51.43(c), the Home is overstating its request for per diem.

**Questioned Costs:**

$11,954

**Recommendation:**

The Home should take immediate action to comply with 38 CFR 51.43(c). Written policies and procedures for census-taking and for preparation of the Daily Report should be established. Those policies and procedures must be effectively communicated to all relevant parties, including but not limited to nursing and medical records staff, and the implementation of those policies and procedures regularly and closely monitored to ensure the census-taking and reporting align with 38 CFR 51.43(c).

The Home should also establish a formal mechanism, framed by written policies and procedures and monitoring of same, to ensure it stays current with federal regulations.

Further, the Home should consider moving its daily manual hardcopy census sheets to an electronic version to promote efficiencies in recordkeeping.

**Auditee Corrective Action Plan:**

The Home has taken immediate action to comply with 38 CFR 51.43(c). Written policies and procedure for census-taking and for the preparation of the Daily Report will be established. The policies and procedures will be effectively communicated to all relevant employees, including but not limited to nursing and medical records employees, and the implementation of the policies and procedures will be regularly and closely monitored to ensure the census-taking and reporting are in compliance with 38 CFR 51.43(c).

Further, the Home is researching the availability of an electronic report that will replace the hard copy census report.

**Contact Person:**

Margaret D. LaBrecque

**Anticipated Completion Date:**

April 1, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Education*** ***Finding 2014-040***
***N.H. Department of Education***

***CFDA # 84.126 Vocational Rehabilitation***

***Grant Year and Award:***
***H126A140042 10/1/2013-9/30/2014***
***H126A130042 10/1/2012-9/30/2013***

***Finding: The Vocational Rehabilitation program (VR) is not in compliance with A-102 Common Rule (§___.21) and OMB Circular A-110 (2 CFR section 215.22), which requires that program income, rebates, refunds, and other income and receipts were disbursed before requesting additional Federal cash draws.***

**Criteria:**

2 CFR section 215.22 requires the following:

To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

**Condition:**

Vocational Rehabilitation program received approximately $1.2 million worth of program income, or 7.1% of the program's federal expenditures, however there are no procedures in place to ensure that other income and receipts such as reimbursements received under the *Ticket to Work and Social Security Administration Reimbursement Program* were disbursed before requesting additional Federal cash draws as required by the A-102 Common Rule (§___.21) and OMB Circular A-110 (2 CFR section 215.22).

**Cause:**

No procedures have been implemented to ensure that program income is disbursed before requesting additional Federal draws.

**Effect:**

The Vocational Rehabilitation program could receive program income and request additional Federal Cash draws prior to disbursing the program income.

**Questioned Costs:**

None

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Recommendation:**

We recommend that the VR program administrators establish procedures to ensure that program income is disbursed before requesting additional Federal draws to ensure compliance with Federal regulations.

**Auditee Corrective Action Plan:**

We concur. A reminder about program requirements has been sent to program personnel. In addition, the Department of Education Business Office will review this account and send reminders about disbursing program income before requesting additional Federal draws

**Contact Person:**

Lisa Hatz, Vocational Rehabilitation State Director

**Anticipated Completion Date:**

June 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Education*** ***Finding 2014-041***
***N.H. Department of Education***

***CFDA # 84.048*** ***Career and Technical Education – Basic Grants to States (Perkins IV)***

***Grant Year and Award:***
***V048A120029 7/1/2012-9/30/2013***
***V048A130029 7/1/2013-9/30/2014***

***Finding: Documentation of approval of employees' step and grade could not be produced***

**Criteria:**

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objective of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs) are found in section 105 of OMB Circular A-133.

Per OMB Circular A-87, section 8(h), the State must "support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation."

**Condition:**

All jobs are coded to a step and grade as stipulated by the current Collective Bargaining Agreements (CBA). Therefore, when an employees' rate is established it is coded to the step and grade for that position, ensuring that when payment is made the employee is paid at the appropriate rate as stipulated by the CBA. In order to ensure the employee is being coded and paid correctly in the system, evidence of the approval of the employees' step and grade needs to be maintained.

For the 40 payroll selections Human Resources (HR) was unable to produce the hard copy approval form evidencing approval of step and grade. The employees selected for testwork received step and grade increases in prior years. The Department should have had hard copy approvals maintained for these employee increases, as prior year approvals were not done electronically in NHFirst.

**Cause:**

New Hampshire Department of Education was unable to produce evidence of the approval over an employees' current step and grade.

**Effect:**

Without appropriate review of an employees' step and grade prior to the employee being paid, this may result in incorrect coding and therefore potential incorrect payments.

**Questioned Costs:**

None

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Recommendation:**

We recommend the incremental approval forms are maintained.

**Auditee Corrective Action Plan:**

We concur. The paperwork was likely submitted to change the payroll coding. However, due to staff shortages, the appropriate documentation could not be located at the time of the audit. The Department Of Education will continue to seek appropriate staffing levels of our Human Resources and Payroll Department.

**Contact Person:**

Shelia Miller, Human Resources Administrator

**Anticipated Completion Date:**

June 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Department of Education*** ***Finding 2014-042***
***N.H. Department of Education***

***CFDA # 84.377*** ***School Improvement Grants (Section 1003(g) of the ESEA)***
***CFDA # 84.388*** ***School Improvement Grants, Recovery Act***

***Grant Year and Award:***
***S377A090030 017 11317/1/2009-9/30/2010***
***S377A110030 317 11317/1/2012-9/30/2013***
***S377A120030 417 11317/1/2013-9/30/2104***

***Finding: Subrecipient audits not received by the Department of Education within nine months of the subrecipient's year-end, subrecipients did not have active DUNS numbers, and during the award monitoring did not occur***

**Criteria:**

Per Part 3 of the A-133 Compliance Supplement, the entity must be – (1) Ensuring that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at http://www.whitehouse.gov/omb/circulars/a133/a133) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Additionally, per 2 CFR 25.200, (a) Each agency that awards types of Federal financial assistance included in the definition of ''award'' in § 25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either: (1) Is issued on or after the effective date of this part; or (2) Has application or plan due dates after October 1, 2010. (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under § 25.110 to: (1) Be registered in the CCR prior to submitting an application or plan; (2) Maintain an active CCR registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and (3) Provide its DUNS number in each application or plan it submits to the agency.

**Condition:**

We noted the following exceptions with the criteria above:

For 3 of the 7 selections tested, subrecipient A-133 audits were not completed by the subrecipients within 9 months of their year-ends. For 2 of these selections, reports were received by NH Department of Education (DOE) subsequent to the 9 month period. For 1 of these selections, no report was received.

For 2 of the 5 subrecipient monitoring selections, the subrecipients' DUNS numbers were inactive on SAM.gov.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

For 2 of the 5 subrecipient monitoring selections, intervention reports were not submitted. Each school creates and submit an Intervention Plan, which identifies any of the seven turnaround principles, as listed and described in the U.S. Department of Education Waiver, that the school is attempting to implement. This includes how the principle will be managing the implementation and the current status of the implementation. Also, within the NH-DOE approved waiver with the U.S. Department of Education, applicable for fiscal year 2014, a requirement is listed that monthly onsite visits will be held; however, monthly site visits were not held for 2 subrecipients. Onsite visits were held for the other 2 subrecipients, but on a less frequent basis and were not always evidenced by formal observation notes.

**Cause:**

The Department lacks effective monitoring controls over the subrecipient monitoring requirement.

**Effect:**

The program was not in compliance with subrecipient monitoring procedures.

**Questioned Costs:**

None

**Recommendation:**

We recommend all subrecipient audits are received by DOE within 9 months of the subrecipients year-end that all subrecipients have active DUNS numbers and that during the award monitoring are performed.

**Auditee Corrective Action Plan:**

We concur. A reminder outlining the requirements and deadlines for subrecipient monitoring procedures has been sent to Department of Education Staff involved in these processes. The NHDOE Staff will also work with the US DOE for clarification and modification around monthly onsite visits for each subrecipient. In addition the Department of Education notes that the FFATA reporting database now rejects inactive DUNS numbers which will mitigate this error from occurring in the future.

**Contact Persons:**

Mary Earick, Administrator
Matt Welsh, Accountant
Nancy Heath, Auditor

**Anticipated Completion Date:**

March 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

| | |
|---|---|
| ***U.S. Environmental Protection Agency*** | ***Finding 2014-043*** |
| ***N.H. Department of Environmental Services*** | |
| ***CDFA # 66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)*** | |
| ***Grant Year and Award:*** | |
| ***2010*** | ***FS991150-10*** |
| ***2011*** | ***FS991150-11*** |
| ***2012*** | ***FS991150-12*** |
| ***2013*** | ***FS991150-13*** |

***Finding: Noncompliance with applicable funding technique in the Treasury- State Agreement***

**Criteria:**

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. Annually, the State of New Hampshire negotiates the Treasury-State Agreement (TSA) with the Treasury which details the funding techniques to be used for the drawdown of federal funds and the terms for the transfer of financial assistance funds between the Federal government and the State of New Hampshire.

**Administrative Costs:**

In the Treasury-State Agreement for the period July 1, 2013 – June 30, 2014, the funding technique for administrative cost drawdowns agreed upon was the Cost Allocation Plan - Quarterly. This technique states the State shall request reimbursement of administrative funds once a quarter, such that they are deposited on the median day of the month, to fund activity of the prior quarter. The amount of the request for a given quarter's activity shall be based on actual costs distributed in accordance with the State's approved cost allocation plan.

**Condition:**

For the DWSRF program, we noted DES did not comply with the applicable funding technique specified in the Treasury State Agreement for administrative costs. We noted that for a sample of 2 quarters, a drawdown was performed for the months of August through October, May and June and the remaining months the draw downs were performed monthly.

A similar finding was noted in the prior single audit report.

**Cause:**

For the administrative costs, DES did not perform the administrative draws in accordance with the Treasury-State Agreement in affect for fiscal 2014.

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Effect:**

DES was not in compliance with the funding technique specified in the TSA.

**Recommendation:**

DES should review the Treasury State Agreement prior to drawing down funds, to ensure the approved clearance patterns for direct and administrative costs are met. DES should work with the State Treasury to ensure that the Treasury State Agreement is amended for fiscal year 2015, if needed.

**Questioned Costs:**

None

**Corrective Action Plan:**

DES has worked with the State Treasury to make certain the Treasury State Agreement is revised to reflect our draw patterns. We will perform our administrative drawdowns in accordance with the TSA to ensure compliance.

**Contact Person:**

Sarah Pillsbury, Administrator
Drinking Water Bureau

**Anticipated Completion Date:**

September 30, 2015

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

***U.S. Environmental Protection Agency*** ***Finding 2014-044***
***N.H. Department of Environmental Services***

***CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)***
***CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)***

***Grant Year and Award:***

| | |
|---|---|
| ***2010*** | ***FS-991150-10 (DWSRF)*** |
| ***2011*** | ***FS-991150-11 (DWSRF)*** |
| ***2011*** | ***CS-330001-11 (CWSRF)*** |

***Finding: Noncompliance with the annual Federal Financial Report (FFR) SF-425***

**Criteria:**

40 CFR part 31, 40 CFR 31.41(b) and 31.50 (b) are existing requirements that mandate EPA recipients submit annual Federal Financial Reports (FFR's) SF-425 to EPA no later than 90 calendar days following the end of the reporting year.

**Condition:**

The Department of Environmental Services (DES) did not report annual FFR SF-425's for 2 grants open for the DWSRF program and for one grant open for the CWSRF program.

**Cause:**

Discussions with DES personnel resulted in the cause of the reports not filed to be due to lack of staff available to complete the reporting.

**Effect:**

The effect of not reporting required FFR SF-425 reports results in noncompliance with Federal reporting requirements.

**Recommendation:**

We recommend that DES file required annual FFR's for any open grant making an effort to find available resources to do so.

**Questioned Costs:**

None

## SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

**Auditee Corrective Action Plan:**

DES will work with EPA to ensure that all reports are filed timely in accordance with the grant terms and conditions.

**Contact Persons:**

Paul Heirtzler, Administrator
Wastewater Engineering Bureau

**Anticipated Completion Date:**

September 30, 2015

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| FINDING NUMBER | STATE AGENCY | CFDA NUMBER | DESCRIPTION | QUESTIONED COSTS | CURRENT STATUS |
|---|---|---|---|---|---|
| **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS** | | | | | |
| 2013-002 | *Multiple* | 84.048<br>84.126<br>96.001<br>10.557<br>93.069<br>93.268<br>93.563<br>93.658<br>93.667<br>12.401<br>17.225<br>15.605<br>15.611 | Ineffective general information technology controls to the NHFirst Human Resources/ Payroll Lawson System | None | *Unresolved. See G-15 and related finding 2014-003* |
| 2013-003 | *NH Department of Health & Human Services* | 10.561<br>93.558<br>93.778 | Administrative drawdowns not performed in accordance with the Treasury-State Agreement | None | *Resolved* |
| 2013-004 | *NH Department of Health & Human Services* | 93.558 | Direct program drawdowns not performed in accordance with the Treasury-State Agreement | None | *Resolved* |
| 2013-005 | *NH Department of Health & Human Services* | 93.044<br>93.045<br>93.053 | Funds obligated are not obligated during the period of availability | Unable to Determine | *Resolved* |
| 2013-006 | *NH Department of Health & Human Services* | 93.069 | No internal controls established to ensure data quality, completeness and accuracy of the financial reports | None | *Resolved* |
| 2013-007 | *NH Department of Health & Human Services* | 93.069 | Cash drawdowns not performed in accordance with the Treasury-State Agreement | None | *Resolved* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2013-008 | *NH Department of Health & Human Services* | 93.069 | Annual physical inventory of equipment not performed in accordance with the State's Long-Term Assets Policy and Procedures Manual | None | *Resolved* |
| 2013-009 | *NH Department of Health & Human Services* | 93.069 | Documentation of employee time worked for the PHEP program appears inadequate. Employee time charged to PHEP program is questionable | $3,852 | *Partially Resolved. See G-21 and related finding 2014-010* |
| 2013-010 | *NH Department of Health & Human Services* | 93.268 | Controls need to be strengthened over the reconciliation of vaccines ordered and those tracked | None | *Unresolved. See G-23 and related finding 2014-012* |
| 2013-011 | *NH Department of Health & Human Services* | 93.563<br>93.575<br>93.596<br>93.658 | Administrative program drawdowns not performed in accordance with the Treasury-State Agreement | None | *Resolved* |
| 2013-012 | *NH Department of Health & Human Services* | 93.563 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Resolved* |
| 2013-013 | *NH Department of Health & Human Services* | 93.667 | Earmarking requirements were not met | $23,876 | *Unresolved. See G-25 and related finding 2014-008* |
| 2013-014 | *NH Department of Health & Human Services* | 93.778 | Lack of independent review over the accuracy of Medicaid claims processed by third party service organization | None | *Resolved* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2013-015 | *NH Department of Health & Human Services* | 93.959 | Maintenance of effort requirements not met | Unable to Determine | *Unresolved. See G-27 and related finding 2014-015* |
| 2013-016 | *NH Department of Health & Human Services* | 10.557 | Improve their internal controls over and compliance with the subrecipient monitoring requirements of the WIC Program | None | *Resolved* |
| 2013-017 | *NH Department of Health & Human Services* | 10.557 | Compliance with the WIC sub award reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) | None | *Unresolved. See G-29 and related finding 2014-021* |
| 2013-018 | *NH Department of Health & Human Services* | 10.557 | Internal controls over and compliance with the cash management requirements of the WIC Program | None | *Partially Resolved. See G-31 and related finding 2014-024* |
| 2013-019 | *NH Department of Health & Human Services* | 10.557 | The controls incorporated into a service organization's operations relative to the New Hampshire WIC program should be periodically evaluated to determine those controls continue to be effective | None | *Unresolved. See G-34 and related finding 2014-023* |
| 2013-020 | *NH Department of Health & Human Services* | 10.557 | Improve their internal controls over and compliance with WIC Program requirements regarding the application of WIC rebate funds | None | *Resolved* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2013-021 | *NH Department of Environmental Services* | 66.605 | Noncompliance with the annual Federal Financial Report (FFR) SF-425 and the Federal Funding Accountability and Transparency Act (FFATA) | None | *Resolved* |
| 2013-022 | *NH Department of Environmental Services* | 66.468 | Noncompliance with applicable funding technique in the Treasury- State Agreement | None | *Partially Resolved. See G-37 and related finding 2014-043* |
| 2013-023 | *NH Department of Safety* | *97.036* | Noncompliance with Federal Funding Accountability and Transparency Act | None | *Unresolved. See G-40 and related finding 2014-025* |
| 2013-024 | *NH Department of Safety* | *97.036* | Sub recipient Monitoring procedures must be established | None | *Unresolved. See G-43 and related finding 2014-026* |
| 2013-025 | *NH Department of Transportation* | 20.205<br>20.219 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Resolved* |
| 2013-026 | *NH Department of Transportation* | 20.106 | Project closeouts should be performed timely | None | *Resolved* |
| 2013-027 | *NH Department of Transportation* | 20.106 | Federal drawdowns should be performed on reimbursement basis | Unable to Determine | *Resolved* |
| 2013-028 | *NH Department of Transportation* | 20.106 | Cash receipts and disbursements should be reported in proper period | None | *Resolved* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2013-029 | *NH National Guard* | 12.401 | Direct program and administrative drawdowns are not performed in accordance with the Treasury-State Agreement (TSA) | None | *Resolved* |
| 2013-030 | *NH Department of Employment Security* | 17.225 | Cash management methods for administrative costs do not agree with Treasury State-Agreement and controls over cash draws for direct costs should be improved | None | *Resolved* |
| 2013-031 | *NH Department of Employment Security* | 17.225 | Controls over Federal reporting procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements | None | *Partially Resolved. See G-45 and related finding 2014-037* |
| 2013-032 | *NH Department of Employment Security* | 17.225 | Controls over work search requirements for Emergency Unemployment Compensation (EUC08) recipients need improvement | $3,042 | *Resolved* |
| 2013-033 | *NH Veterans Home* | 64.015 | Controls over ensuring contractors are neither suspended nor debarred should be established and implemented | None | *Unresolved. See G-48 and related finding 2014-038* |
| 2013-034 | *NH Office of Energy and Planning* | 81.128 | Internal Controls and compliance over the cash management should be improved | Unable to Determine | *Resolved* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2013-035 | *NH Office of Energy and Planning* | 93.568 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Partially Resolved. See G-50 and related finding 2014-036* |
| 2013-036 | *NH Office of Energy and Planning* | 93.568 | Internal controls and compliance over the sub recipient monitoring requirements should be improved | None | *Unresolved. See G-52 and related finding 2014-035* |
| 2013-037 | *NH Office of Energy and Planning* | 93.568 | Federal drawdowns for LIHEAP not performed timely | None | *Resolved* |
| 2013-038 | *NH Office of Energy and Planning* | 93.568 | Improve internal controls over LIHEAP Federal financial reporting as the annual SF-425 was not completed or submitted | None | *Resolved* |
| 2013-039 | *NH Office of Energy and Planning* | 81.042 | Internal controls over the subrecipient monitoring requirements should be improved | None | *Resolved* |
| 2013-040 | *NH Office of Energy and Planning* | 81.042 | Federal drawdowns for the Weatherization Assistance Program (WAP) were not performed in accordance with program requirements | None | *Resolved* |
| 2013-041 | *NH Department of Fish & Game* | 15.605<br>15.611 | Internal controls and compliance over the subrecipient monitoring requirements should be improved | Unable to Determine | *Unresolved. See G-54 and related finding 2014-028* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2013-042 | *NH Department of Fish & Game* | 15.605<br>15.611 | Request for reimbursements not performed timely | None | *Unresolved. See G-57 and related finding 2014-029* |
| 2013-043 | *NH Department of Fish & Game* | 15.605<br>15.611 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements | None | *Unresolved. See G-59 and related finding 2014-030* |
| 2013-044 | *NH Department of Fish & Game* | 15.605<br>15.611 | Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting | None | *Unresolved. See G-61 and related finding 2014-031* |
| 2013-045 | *NH Department of Fish & Game* | 15.605<br>15.611 | Incomplete equipment inventory count | None | *Unresolved. See G-63 and related finding 2014-032* |
| 2013-046 | *NH Department of Education* | 10.553<br>10.555<br>10.556<br>10.559 | Commodity inventory management controls not operating effectively | None | *Resolved* |
| 2013-047 | *NH Department of Education* | 84.367<br>84.027<br>84.173<br>10.553<br>10.555<br>10.556<br>10.559 | Internal controls established are not operating effectively to ensure completeness and timeliness of reporting in accordance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Resolved* |
| 2013-048 | *NH Department of Education* | 84.027<br>84.173<br>10.553<br>10.555<br>10.556<br>10.559 | Direct program drawdowns not performed in accordance with the Treasury State Agreement (TSA) | None | *Resolved* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2013-049 | *NH Department of Education* | 84.048<br>84.287<br>96.001 | Administrative draws are not adequately supported | None | *Resolved* |
| 2013-050 | *NH Department of Education* | 84.010<br>84.389 | Verification of Local Education Agency (LEA) compliance with comparability requirements not being completed | Unable to Determine | *Resolved* |
| 2013-051 | *NH Department of Education* | 84.126 | Eligibility determination guidelines were not followed | None | *Resolved* |
| 2013-052 | *NH Department of Education* | 84.126 | The Vocational Rehabilitation (VR) program is not in compliance with the Rehabilitation Services Administration (RSA) reporting requirements | None | *Resolved* |
| 2013-053 | *NH Department of Education* | 84.388 | 1512 ARRA reporting not filed for one of four quarters during fiscal year 2013 | None | *Resolved* |
| 2013-054 | *NH Department of Education* | 84.377<br>84.388 | The Department of Education School Improvement Grant (SIG) did not ensure that its application process was carried out consistent with Federal requirements of the SIG program | None | *Resolved* |
| 2013-055 | *NH Department of Education* | 96.001 | Business office not specifying which grant an expenditure is being charged to | None | *Resolved* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2013-056 | *NH Department of Education* | 96.001 | Not maintaining verifications on file which demonstrate review of licensure, credentials, and certifications prior to the consultative examiners' official hire date | None | *Resolved* |
| 2013-057 | *NH Department of Safety* | 97.067 | Establish procedures to ensure Federal funds are obligated to sub grantees within 45 days after the date of the Grant Award | None | *Resolved* |
| 2012-004 | *NH Department of Health and Human Services* | 93.558 | Direct program drawdowns not performed in accordance with the Treasury-State Agreement | None | *Resolved* |
| 2012-005 | *NH Department of Health and Human Services* | 10.561<br>93.558<br>93.778 | Administrative drawdowns not performed in accordance with Treasury-State Agreement | None | *Resolved* |
| 2012-006 | *NH Department of Health and Human Services* | 10.557 | Direct Program drawdown's not performed in accordance with Treasury-State Agreement | None | *Resolved* |
| 2012-007 | *NH Department of Health and Human Services* | 93.044<br>93.045<br>93.053<br>93.667<br>93.283<br>93.563<br>93.596<br>93.658 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Partially Resolved. See G-65 and related finding 2014-021* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2012-012 | *NH Department of Health and Human Services* | 93.563<br>93.596<br>93.658 | Administrative drawdowns are based on estimates which is not in accordance with the Treasury-State Agreement | None | *Resolved* |
| 2012-014 | *NH Department of Health and Human Services* | 93.959 | Maintenance of Effort (MOE), Earmarking and Period Availability requirements not met | $28,565 | *Partially Resolved. See G-69 and related finding 2014-015* |
| 2012-016 | *NH Office of Energy and Planning* | 81.128 | Internal Controls and compliance over the cash management should be improved | Unable to Determine | *Resolved* |
| 2012-019 | *NH Office of Energy and Planning* | 93.568 | Federal drawdown's not performed timely | None | *Resolved* |
| 2012-020 | *NH Office of Energy and Planning* | 93.568 | Internal Controls and compliance over the sub recipient monitoring requirements of LIHEAP should be improved | Unable to Determine | *Unresolved. See G-72 and related finding 2014-035* |
| 2012-021 | *NH Office of Energy and Planning* | 93.568 | OEP should improve internal controls over LIHEAP Federal financial reporting requirements | None | *Resolved* |
| 2012-022 | *NH Office of Energy and Planning* | 93.568 | The OEP should establish internal controls over and comply with the reporting requirements of the Federal funding accountability and transparency act (FFATA) | None | *Unresolved. See G-75 and related finding 2014-036* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2012-023 | *NH Office of Energy and Planning* | 93.568 | The time elapsing between the transfer of funds from the U.S. treasury and disbursement by sub grantees was not minimized | Unable to Determine | *Resolved* |
| 2012-025 | *NH Office of Energy and Planning* | 81.041 | SEP Funds should only be used for allowable activities and costs | $118,228 | *Resolved* |
| 2012-029 | *NH Office of Energy and Planning* | 81.042 | Federal drawdowns were not performed in accordance with program requirements and advances of funds were not paid out timely | None | *Resolved* |
| 2012-030 | *NH Office of Energy and Planning* | 81.042 | Internal controls and compliance over the sub recipient monitoring requirements and allowable cost limitations of the WAP should be improved | Unable to Determine | *Resolved* |
| 2012-034 | *NH Department of Homeland Security and Emergency Management* | 97.036 | Noncompliance with Federal Funding Accountability and Transparency Act | None | *Unresolved. See G-77 and related finding 2014-025* |
| 2012-036 | *NH Department of Homeland Security and Emergency Management* | 97.036 | Sub recipient monitoring procedures must be established | None | *Unresolved. See G-79 and related finding 2014-026* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2012-037 | *NH Department of Environmental Services* | 66.468 | Noncompliance with the Treasury-State Agreement | None | *Partially Resolved. See G-82 and related finding 2014-043* |
| 2012-042 | *NH Department of Employment Security* | 17.225 | Federal reporting procedures need improvement | None | *Partially Resolved. See G-85 and related finding 2014-037* |
| 2012-043 | *NH Department of Employment Security* | 17.225 | Controls over the Treasury-State Agreement should be implemented | None | *Resolved* |
| 2012-048 | *NH Department of Transportation* | 20.106 | Federal draw-downs should be performed on a reimbursement basis | None | *Resolved* |
| 2012-051 | *NH Department of Transportation* | 20.205 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Resolved* |
| 2012-056 | *NH Department of Education* | 84.010<br>84.027<br>84.173<br>84.367 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Resolved* |
| 2012-057 | *NH Department of Education* | 84.287<br>96.001<br>96.006 | Administrative draws are not adequately supported | None | *Resolved* |
| 2012-058 | *NH Department of Education* | 84.010<br>84.027<br>84.173<br>84.367<br>84.389<br>84.391<br>84.392 | Direct program drawdowns not performed in accordance with the Treasury –State Agreement | None | *Resolved* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2012-061 | *NH Veterans Home* | 64.015 | Controls over processing and accounting for federal revenues should be improved | $7,000 | *Resolved. Questioned costs remain open* |
| 2012-063 | *NH Veterans Home* | 64.015 | Suspension and debarment certifications should be included and verified for all contracts over covered transactions | None | *Unresolved. See G-88 and related finding 2014-038* |
| 2011-003 | *NH Department of Health and Human Services* | 93.778<br>93.558<br>93.714<br>93.596<br>93.658<br>10.557 | Direct program drawdowns not performed in accordance with the Treasury-State Agreement | None | *Resolved* |
| 2011-004 | *NH Department of Health and Human Services* | 10.561<br>93.558<br>93.714<br>93.563<br>93.596<br>93.658<br>93.767<br>93.778 | Administrative drawdowns not performed in accordance with the Treasury-State Agreement | None | *Resolved* |
| 2011-006 | *NH Department of Health and Human Services* | 93.778 | Disproportionate share hospital cost recoupment does not comply with current Federal rules | $8,412,822 | *Unresolved. questioned costs remain See G-90* |
| 2011-017 | *NH Office of Energy and Planning* | 93.568 | Internal controls over LIHEAP federal financial reporting requirements need improvement | None | *Resolved* |
| 2011-018 | *NH Office of Energy and Planning* | 93.568 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Partially Resolved. See G-94 and related finding 2014-036* |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | | | | | |
|---|---|---|---|---|---|
| 2011-030 | *NH Department of Employment Security* | 17.225 | Controls over federal reporting and the accuracy of data included in federal reports need improvement | None | *Partially Resolved. See G-97 and related finding 2014-037* |
| 2011-035 | *NH Department of Employment Security* | 17.225 | Controls over the Treasury-State Agreement should be implemented | None | *Resolved* |
| 2011-037 | *NH Department of Transportation* | 20.205 | Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) | None | *Resolved* |
| **TOTAL UNRESOLVED QUESTIONED COSTS AS OF MARCH 2015:** | | | | **$ 8,597,385** | |

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Education*** ***Finding 2013-002***
***N.H. Department of Education***
***CFDA #84.048 Career and Technical Education- Basic Grants to States***
***CFDA #84.126 Rehabilitation Services- Vocational Rehabilitation Grants to States***
***CFDA #96.001 Social Security – Disability Insurance***

***U.S. Department of Health and Human Services***
***N.H. Department of Health and Human Services***
***CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants and Children***
***CFDA #93.069 Public Health Emergency Preparedness***
***CFDA #93.268 Immunization Cooperative Agreements***
***CFDA #93.563 Child Support Enforcement (ARRA)***
***CFDA #93.658 Foster Care – Title IV-E***
***CFDA #93.667 Social Services Block Grant***

***U.S. Department of Defense***
***N.H. National Guard***
***CFDA #12.401 National Guard Military Operations and Maintenance (ARRA)***

***U.S. Department of Labor***
***N.H. Department of Employment Security***
***CFDA #17.225 Unemployment Insurance***

***U.S. Department of the Interior***
***N.H. Department of Fish and Game***
***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

***Finding: Ineffective general information technology controls related to the NHFIRST Human Resources/Payroll Lawson System***

**Criteria:**

The A-102 Common Rule and OMB Circular A-110 (2CFR par 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. This includes establishing controls to provide reasonable assurance that only eligible individuals receive assistance under federal awards and the amounts provided to or on behalf of eligible individuals were calculated and are allowable in accordance with program requirements.

**Condition:**

On February 23, 2013, the NHFIRST Human Resources/Payroll Lawson System (Lawson or System) was implemented for certain state agencies. As a result of the system implementation of Lawson, we determined that certain General Information Technology Controls (GITC) related to the System were determined to be ineffective.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

In the System, application roles are used to control user access privileges. However, we noted that privileged access (access to all application functions and capabilities) had been granted to 45 application users and the job responsibilities of some of these individuals was not properly aligned with their assigned roles.

The System utilizes an Oracle database. It was noted that system enforced password parameters, with the exception account lockout after 3 failed log-on attempts, were not in place.

For terminated users, access to system software should be removed in a timely manner after the date of termination of the employee. During our review, we noted that access to Lawson was not removed in a timely manner for the 5 sample selections made, with the duration of time between termination date and removal of access ranging from one month to six months.

As with most IT operations, formal testing and authorization of hardware and software changes, including application operating system changes, is required prior to migration to production. During our review, we determined that evidence of testing and subsequent authorization of changes was not consistently or comprehensively documented on the change request forms stored in the system's change tracking application, and for certain selected changes, the change request form was not available. Further, it was noted that one individual has the ability to both develop and migrate changes without involvement from any other parties.

Processing and monitoring of backup jobs should be monitored and backup tapes should be stored in a secure offsite storage area. During our review, we determined that documentation relative to monitoring of the daily backup process was not available for the entire fiscal year, and documentation related to the monitoring of backup tapes as they move from onsite storage to offsite storage was not available for review.

**Cause:**

Management of the Lawson application indicated that they planned to create new roles to better align application privileges to job responsibilities and to conduct periodic reviews of user access and access privileges, but due to limitations in time and resources, the roles have not yet been created nor the reviews conducted.

With regards to passwords parameters for the Oracle database that supports the Lawson application, management of the Lawson application indicated that the existing password parameters were not in accordance with the State's policy.

With regards to removal of access for terminated users, the policies and procedures related to removal of access for a terminated employee is decentralized to the various agencies, for which management of the Lawson application must rely on and has no control over.

With regards to documentation related to change management, management of the Lawson application expressed a need to tighten controls relative to the various aspects of the change management workflow (i.e. appropriate approvals, evidence of user acceptance testing, and appropriate monitoring), such that the documentation supporting the change management process can be more sufficient in nature.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

With regards to documentation relative to controls within the process for daily backups, various reports are used to monitor the success or failure of daily backup jobs; however, these reports are not printed and kept for support purposes. Further, documentation is not kept relative to the tracking and monitoring of the movement of backup tapes to an offsite storage location.

**Effect:**

Excessive access to application functions and capability increases the risk that segregation of duties controls will be ineffective and that secure access to sensitive data and/or transactions will be compromised leading to increased opportunity for error.

Lack of strong password parameters for the Oracle database increases the risk that unauthorized users gain access to the information stored in the database which could be used for inappropriate purposes, as well as increases the risk that the integrity of the data is not secure.

When accounts for terminated employees are not disabled and/or removed in a timely manner, there is a risk that unauthorized users may obtain access to the network or applications.

The absence of appropriate documentation supporting the change management function including documentation of appropriate approvals and user acceptance testing increases the risk that unauthorized or untested changes could be migrated into production. Further, weak controls over the individuals who can migrate changes into production increases the risk that unauthorized changes could be put into production.

Lack of appropriate controls relative to the monitoring of the daily backup process, including monitoring the process of moving backup tapes from onsite storage to offsite storage increases the risk that important backup information is not available to be restored when necessary.

**Questioned Costs:**

None

**Recommendation:**

While it is recognized that some experienced business users may need to be granted privileged user access to support and/or train the general business user community, the number of such users granted super-user privileges should be significantly reduced. Further, management of the Lawson application should ensure that existing and new roles support appropriate segregation of duty controls and provide users with the minimum access privileges necessary to do their jobs.

Management of the Lawson application should establish password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history.

Management of the Lawson application should establish policies and procedures to ensure that notification of termination for users of the Lawson application occurs in a timely manner.

Management of the Lawson application should review change management procedures associated with the System.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

Management of the Lawson application should establish policies and procedures to ensure that appropriate levels of documentation supporting the monitoring of the daily backup process, as well as monitoring of the movement of backup tapes from onsite storage to offsite storage exists and is available.

**Auditee Corrective Action Plan:**

*Recommendation 1:* While it is recognized that some experienced business users may need to be granted privileged user access to support and/or train the general business user community, the number of such users granted super-user privileges should be significantly reduced. Further, management of the Lawson application should ensure that existing and new roles support appropriate segregation of duty controls and provide users with the minimum access privileges necessary to do their jobs.

*Management Response – Department of Administrative Services (DAS) Financial Data Management (FDM):* We concur that roles should support segregation of duties and provide users with the minimum access privileges necessary to do their jobs. NHFIRST contains multiple security roles that are assigned to users based on their job duties for all agency access to financial, human resources, and payroll modules and for DAS access to the financial and payroll modules. Similarly, security roles segregated by job function for DAS access to the human resources modules were created. During implementation, it was discovered that these roles prevented access to key functions performed by the Division of Personnel (DOP) so a role giving broader access was assigned. FDM, in collaboration with Infor, is currently reviewing the custom security role related to position maintenance to modify it to give the access required. Upon completion of that role, FDM will investigate creating a custom security role for the employee maintenance functions performed in DOP. As each of these roles is created, the admin role will be removed from all DOP employees. Additionally, FDM is reviewing the assignment of roles to the reporting group within FDM. The reporting group needs read only access and does not need the configuration or admin functions. The goal is to complete these security changes by July 1, 2014.

*Recommendation 2:* Management of the Lawson application should establish password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history.

*Management Response - Department of Information Technology (DoIT):* The following password parameters have been aligned as closely as possible to the state's password policy and implemented:

- Maximum Password Age = Oracle "Password lifetime" setting= 90 days
- Minimum Password age = no corresponding Oracle parameter
- Enforce Password History = unlimited setting for "Password reuse max" in screen shot means passwords cannot be reused, all passwords are remembered (exceeds 5 password memory requirement)
- Account lockout threshold = setting of 3 for "Failed login attempts" in screen shot is one less failed login than required.
- Reset Account Lockout Counter After = no corresponding Oracle parameter
- Account Password Reset = "Password Lock", when set to unlimited does not unlock the account, which exceeds lockout requirement of 60 minutes. We do not unlock accounts until the reason for the lock has been investigated.
- Password complexity is being enforced by the OIT_VERIFY_FUNC function as seen in the "Password Verify Function" setting.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

- A function has been in place to verify the complexity of the password:
  Minimum length 10:
  Maximum length 25
  Combination of letters, numbers, and special characters: Cannot check for uppercase letter since in the database Oracle does not recognize upper vs. lower
  Doesn't equal UserID

*Recommendation 3:* Management of the Lawson application should establish policies and procedures to ensure that notification of termination for users of the Lawson application occurs in a timely manner.

*Management Response - DAS FDM:* We concur. FDM is planning to implement a process to remove access to NHFIRST for terminated employees 60 days after termination. This 60 day period is to allow the terminated employee to access pay statements including final payout which can take up to 60 days after the last date of employment. Access for "back-office" financial and human resources/payroll users should be reduced to employee only access upon leaving an agency whether because of transfer to another agency or termination of employment. FDM will implement a weekly process to identify transfers or terminations of employees with "back office" access and remove their "back office" access by July 1, 2014.

*Recommendation 4:* Management of the Lawson application should review change management procedures associated with the System

*Management Response - DAS FDM:* We concur. FDM has recently implemented a process, in collaboration with the DAS business unit, that requires a written Business Requirements Document (BRD) for all major changes. For all changes, FDM has implemented a change management process that requires a comprehensive project directory be created that contains written documentation of the change, including a description of the change, the specific changes that were made including screen prints as applicable, detailed testing process and results including all files used during the testing, and sign-off by the DAS business unit on the change and testing. Production migration is planned with the business unit that requested the change and coordinated by FDM with DoIT, including the submission of a written request using the Footprints Helpdesk ticket system. Migration requests require the written approval of the Director of FDM or a member of the FDM management team

*Management Response - DoIT:* There is existing standard documentation for program migrations. Migrations are to be requested by submission of a helpdesk ticket, and within the ticket approved by one of the FDM Managers defined in the documentation. The approval process was not being adhered to as closely as it should have been. When migrations were of an urgent nature, or under time constraints, verbal approval was being provided rather than through the ticketing process, and in some instances the ticket was being bypassed altogether. Both FDM and DoIT have reviewed the standard process and understand that exceptions cannot be made, this process must be followed.

The System Administrator that is required to migrate programs for FDM inherently has permissions to compile the programs, which means they could potentially be changed. In order to mitigate this risk FDM will need to verify that what has been implemented into Production is only what they expect. DoIT and FDM will need to work together to define a method to accomplish this.

*Recommendation 5:* Management of the Lawson application should establish policies and procedures to ensure that appropriate levels of documentation supporting the monitoring of the daily backup process, as

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

well as monitoring of the movement of backup tapes from onsite storage to offsite storage exists and is available.

*Management Response - DoIT:* On September 11, 2013, we implemented a new process where daily reports are run from our central backup system to record the results of all the previous day's backups. These reports are disseminated to OPS personnel and managers for review. A report is then generated of failed and missing backups. These reports are now retained indefinitely. The backup system retention for keeping the status of the backups has also been extended to 1 year.

For tape movement, the current process has been to request tape movements via emails which include screenshots of the affected tape numbers to the tape librarian. The completed movements are acknowledged by return email from the tape librarian. These emails were not being kept for any standard length of time, they will now be kept indefinitely or until the tape has been released.

**Contact Person**:

Charles Russell, Director - FDM
Wendy Pouliot, Director of Operations - DoIT

**Anticipated Completion Date:**

April 30, 2015

**Status as of March 2015:**
Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-003.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Health and Human Services*** ***Finding 2013-009***
***NH Department of Health and Human Services***

***CFDA # 93.069 Public Health Emergency Preparedness (PHEP)***

***Grant Year and Award:***
***7/1/12 – 6/30/30*** ***1U90TP000535***

***Finding: Documentation of employee time worked for the PHEP program appears inadequate. Employee time charged to PHEP program is questionable***

**Criteria:**

Per OMB Circular A-87, Attachment A, C: Basic Guidelines, compensation of employees for the time devoted and identified specifically to the performance of those awards are allowable direct costs; and to be allowable under Federal awards, costs must be adequately documented.

**Condition:**

The Department of Health and Human Services utilizes a cost allocation system to charge expenditures, including payroll costs, to various federal programs. Activities specific to a federal program are identified by job numbers. Employees' timecards do not consistently include job numbers. Further, a job number charged to an employee's timesheet did not change promptly when an employee's activity changed from PHEP to a non-PHEP activity. Management's approval of the job number assignment to an employee is not consistently documented.

**Cause:**

System issues associated with the implementation of the new timecard system in June 2012 may be the cause, as well as employee and supervisor's inattention at the time employee's activity changed. In addition, Department's recordkeeping for payroll needs improvement.

**Effect:**

There is an increased risk of unallowable activities being charged to the program.

**Questioned Costs:**

$3,852

**Recommendation:**

The Department should ensure employees' pay is charged to the federal programs accurately by ensuring the job numbers are included on the timecards properly and completely.

In addition, The Department should strengthen its record keeping procedures to ensure payroll costs supported by federal grants are adequately documented.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Auditee Corrective Action Plan:**

We concur with the finding. The paperwork was submitted to change the payroll coding. However, due to staff shortages, the appropriate follow up was not performed. Process will be changed to ensure better follow-up with payroll coding changes.

**Contact Person:**

Dolores A Cooper, Financial Manager DPHS

**Anticipated Completion Date:**

April 2015 for the month of March 2015

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-010.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Health and Human Services*** ***Finding 2013 - 010***
***NH Department of Health and Human Services***

***CFDA #93.268 Immunization Grants***

***Grant Year and Award:***
***1/1/11 – 12/31/12, 1/1/13-12/31/13 5H23IP122555-10***

***Finding: Controls need to be strengthened over the reconciliation of vaccines ordered and those tracked***

**Criteria:**

Effective control and accountability must be maintained for all vaccines under the VFC program. Vaccine must be adequately safeguarded and used solely for the authorized purpose (42 USC 1396s). This includes administration only to VFC program-eligible children, as defined in 42 USC 1396s(b)(2)(A)(i) through (A)(iv), regardless of the child's parent's ability to pay (42 USC 1396s(c)(2)(C)(iii)).

**Condition:**

When performing a test of control to reconcile the Center for Disease Controls records of federal vaccines ordered by the NH Immunization Program and New Hampshire's Immunization Program's (NHIP) records of federal vaccines ordered, the reconciliation was being performed ineffectively. The NHIP's reconciliation calculation was being performed by taking the federally funded vaccine variance between the CDC and NHIP and dividing it by the total vaccine ordered (state and federally funded vaccine), resulting in variances below the NHIP calculated threshold which required further follow up.

**Cause:**

The design of the reconciliation control was not effective to maintain a proper accountability over the ordering and receipt of federally funded vaccine.

**Effect:**

Increased potential for the NHIP to be unable to detect errors in the reporting of their vaccines ordered by the CDC

**Questioned Costs:**

None

**Recommendation:**

The Department should ensure it establishes an effective reconciliation of federally funded vaccines in order to maintain proper accountability.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Auditee Corrective Action Plan:**

We concur with the finding. We will review the process and make changes based on the recommendation.

**Contact Person:**

Dolores A Cooper, Financial Manager, DPHS

**Anticipated Completion Date:**

SFY 2014 – completed as of 3/3/15
SFY 2015 – revision will be completed by 3/6/15

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-012.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Health and Human Services*** ***Finding 2013-013***
***NH Department of Health and Human Services***

***CFDA # 93.667 Social Services Block Grant***

***Grant Year and Award:***

| | |
|---|---|
| ***10/1/2012 - 9/30/2014*** | ***G-1301NHSOSR*** |
| ***10/1/2011 - 9/30/2013*** | ***G-1201NHSOSR*** |
| ***10/1/2010 - 9/30/2012*** | ***G-1101NHSOSR*** |

***Finding: Earmarking requirements were not met***

**Criteria:**

The State shall use all of the amount transferred in from Temporary Assistance For Needy Families (TANF) (CFDA 93.558) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)). Additional information on this transfer in is provided in IV, "Other Information."

The poverty guidelines are issued each year in the *Federal Register* and HHS maintains a web page that provides the poverty guidelines (http://aspe.hhs.gov/poverty/).

**Condition:**

The State transferred $909,225 from TANF to the Social Services Block Grant (SSBG). During our test work over earmarking, we noted that 4 of the 25 expenditures selected for test work did not appear to be for services to children or their families whose income is less than 200% of the official poverty guideline. As such, the State did not meet its earmarking requirement for the year ended June 30, 2013.

**Cause:**

The cause is due to the lack of properly designed and implemented controls to ensure proper spending of TANF funds through SSBG for the State fiscal year ended June 30, 2013.

**Effect:**

The Department did not meet the earmarking compliance requirements and appears to have expended Federal funds for unallowable costs during the State fiscal year ended June 30, 2013.

**Questioned Costs:**

$23,876

**Recommendation:**

We recommend that the Department review their existing procedures related to the tracking of expenditures related to the earmarking requirement to ensure the requirement is properly met.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Auditee Corrective Action Plan:**

The Department concurs that there was inadequate backup documentation to ensure that two of the exceptions were for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)). The Department will include a printout from NH Bridges system showing that the child or their families' income is less than 200 percent of the official poverty guideline with the invoice when they are submitted for reimbursement.

The Department concurs that for the other two exceptions, funds were inadvertently used and staff are reminded to no longer charge these types of invoices directly to SSBG, but will use an allocation method to all benefiting programs.

**Contact Person:**

Dague B. Clark, Fiscal Administrator

**Anticipated Completion Date:**

Completed: February 14, 2014

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-008.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Health and Human Services*** ***Finding 2013-015***
***NH Department of Health and Human Services***

***CFDA # 93.959 Block Grants for Prevention and Treatment of Substance Abuse***

***Grant Year and Award:***

| | |
|---|---|
| ***10/1/2012 - 9/30/2014*** | ***2B08T1010035-13*** |
| ***10/1/2011 - 9/30/2013*** | ***2B08TI010035-12*** |
| ***10/1/2010 - 9/30/2012*** | ***2B08TI010035-11*** |

***Finding: Maintenance of effort requirements not met***

**Criteria:**

The State shall for each fiscal year maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the 2 State fiscal years preceding the fiscal year for which the State is applying for the grant. The "principal agency" is defined as the single State agency responsible for planning, carrying out and evaluating activities to prevent and treat SA and related activities. The Secretary may exclude from the aggregate State expenditures funds appropriated to the principal agency for authorized activities which are of a non-recurring nature and for a specific purpose (42 USC 300x-30; 45 CFR sections 96.121 and 96.134; and *Federal Register*, July 6, 2001 (66 FR 35658) and November 23, 2001 (66 FR 58746-58747) as specified in II, "Program Procedures – Availability of Other Program Information").

**Condition:**

The State did not meet its required maintenance of effort for the year ended June 30, 2013 as the State did not incur expense at a level greater than the average of such expenditures in the prior two years. In order to meet the maintenance of effort requirement as of June 30, 2013, the State needed to expend $5,939,641 and fell short by 25% due to expending only $4,438,386 of State funds.

A similar finding was noted in the prior single audit report.

**Cause:**

The cause of the condition found appears to be reductions in general fund appropriations for the State fiscal year ended June 30, 2013.

**Effect:**

The Department did not meet the maintenance of effort compliance requirements for the State fiscal year ended June 30, 2013.

**Questioned Costs:**

Not determinable

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Recommendation:**

We recommend that the Department review their existing procedures related to the tracking of maintenance of effort requirements to ensure that all requirements are properly met.

**Auditee Corrective Action Plan:**

It is acknowledged, however, that the State legislature significantly reduced the budget for alcohol and substance abuse services during the biennium budget process for State Fiscal Years 2012 and 2013. The Bureau of Drug & Alcohol Services has requested a waiver for SFY 2012 and is prepared to submit a similar waiver request for 2013.

**Contact Person:**

Joseph Harding, Director; Linda Colby, Business Administrator

**Anticipated Completion Date:**

April 1, 2015

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-015.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Agriculture – Food and Nutrition Services*** ***Finding 2013-017***
***NH Department of Health and Human Services***

***CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)***

***Grant Year and Award:***

| | |
|---|---|
| ***10/1/11 – 9/30/12*** | ***2012IW100344*** |
| ***10/1/12 – 9/30/13*** | ***2013IW100344*** |
| ***10/1/11 – 9/30/12*** | ***2012IW500344*** |

***Finding: The Department of Health and Human Services (DHHS) should comply with the WIC sub award reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA)***

**Criteria:**

2 CFR 170 specifies non-federal entities receiving federal financial assistance are required to report information on sub awards and executive total compensation as required by FFATA. Additionally, one of the administrative requirements of the WIC program is compliance with the Office of Management and Budget's (OMB) OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Single Audit Act of 1984 as amended.

The OMB Circular A-133 compliance supplement applicable to audits of fiscal years beginning on or after June 30, 2012 indicates sub-award reporting under the FFATA is applicable to the WIC program.

**Condition:**

The DHHS did not submit the required FFATA reports for the WIC program during state fiscal year 2013.

**Cause:**

The DHHS failed to report in compliance with reporting requirements under FFATA.

**Effect:**

The DHHS is not in compliance with the reporting requirement under FFATA.

**Questioned Costs:**

None

**Recommendation:**

We recommend the Department review their current resources and prioritize responsibilities to ensure they comply with WIC program requirements.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Auditee Corrective Action Plan:**

The Department concurs. Discussions have already taken place to transfer FFATA reporting from the individual program divisions to the Financial Compliance Unit (FCU) of Contracts & Procurements effective March 1, 2014. FCU will collect certain FFATA financial information during the contract procurement and Governor & Council (G&C) approval process. The FCU has met with a number of the DHHS Divisions and has reviewed the most recent examples of FFATA reporting for the respective divisions in efforts to develop a template for financial information. The FFATA financial template will be supplied to division finance to fill out for each qualifying contract for their respective division or bureau. This information should be provided in conjunction with the contract procurement and G&C preparation process.

**Contact Person:**

PJ Nadeau, Financial Manager for Contracts and Procurement Unit

**Anticipated Completion Date:**

June 2014

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-021.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Agriculture – Food and Nutrition Services*** ***Finding 2013-018***
***NH Department of Health and Human Services***

***CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)***

***Grant Year and Award:***

| | |
|---|---|
| ***10/1/11 – 9/30/12*** | ***2012IW100344*** |
| ***10/1/12 – 9/30/13*** | ***2013IW100344*** |

***Finding: The Department should improve their internal controls over and compliance with the cash management requirements of the WIC Program***

**Criteria:**

U. S. Department of the Treasury (Treasury) regulations implementing the Cash Management Improvement Act of 1990 (CMIA) require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

Per the resulting Treasury State Agreement (TSA), the specific funding techniques prescribed for the WIC program require direct program costs to be drawn five days after payment of the related obligations and require administrative program costs to be drawn monthly.

Additionally, 2 CFR 215 dictates State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133,‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the circular states it is the responsibility of the Auditee to “maintain internal control over Federal programs that provides reasonable assurance that the Auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

**Condition:**

The Department of Health and Human Services ( the Department of DHHS) did not perform timely federal drawdowns for the WIC program during our audit period. During our testing it was noted the Department failed to draw federal funds in accordance with the clearance patterns and techniques prescribed within the TSA in 8 of 15 transactions related to the Department’s reimbursement of Nutrition Services and Administration (NSA) costs paid to local agencies and in 100% of the Department’s reimbursements for program administrative costs incurred by the Department. The untimely drawdowns identified during the audit were performed between one day earlier and one month later than prescribed by the TSA.

Additionally, we noted the Department failed to detect a clerical error in the calculation of administrative funds due for reimbursement of WIC administrative costs. The clerical error resulted in the Department’s overstatement of the draw amount of $1,122.

A similar finding has been noted in the prior single audit report.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Cause:**

Five of the eight transactions for the reimbursement of NSA costs to local agencies failed to meet the requirements of the TSA due to the Department's classification of the associated activity number used in the state's accounting system, NH First, as administrative program costs instead of direct program costs. This classification error also resulted in the direct program costs associated with these activity numbers being included in 100% of the Department's administrative draws during State fiscal year 2013.

The remaining three transactions identified failed to meet the requirements of the TSA. The Department's CMIA subsystem generates reports identifying expenditures that require federal reimbursements based on timing patterns associated with the transactions assigned activity number in NH First. Federal drawdowns are performed manually based on the CMIA reports; however, it is unknown if the errors identified in testing were associated with system programming within the CMIA or with the associated manual procedures.

**Effect:**

The Department was not in compliance with the cash management requirements of the WIC program.

**Questioned Costs:**

None

**Recommendation:**

The Department of Health and Human Services should strengthen their internal controls over and compliance with the cash management requirements of the WIC program.

**Auditee Corrective Action Plan:**

The DHHS concurs. The TSA for NH is completed by NH's State Treasury. DHHS planned to work with State Treasury to address the language in the TSA to meet compliance of this finding. However, the TSA template used to make changes is very restrictive, requiring Treasury to select from a drop down menu that did not adequately describe the actual method used.

It is DHHS's understanding that federal template used by States to complete the TSA has been updated for the 2014 submission, and that NH will be allowed to accurately document the method used to complete the administrative draw for each federal program beginning with the 2014 TSA, anticipated to be submitted by September 30, 2014.

The detected clerical error resulted from a formula error in the worksheet done for the WIC draw. The formula has since been corrected, worksheet updated, and is part of the documentation included in the request to draw the cash.

**Contact Person:**

Anne Mattice/Dolores Cooper, Bureau of Finance

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Anticipated Completion Date:**

Partially complete – balance to be completed by June 30, 2015.

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-024.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Agriculture – Food and Nutrition Services*** ***Finding 2013-019***
***NH Department of Health and Human Services***

***CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)***

***Grant Year and Award:***

| | |
|---|---|
| ***10/1/10 – 9/30/11*** | ***2010IW100644*** |
| ***10/1/11 – 9/30/12*** | ***2011IW100644*** |
| ***10/1/12 – 9/30/13*** | ***2012IW100644*** |
| ***10/1/11 – 9/30/12*** | ***2013IW100644*** |

***Finding: The controls incorporated into a service organization's operations relative to the New Hampshire WIC program should be periodically evaluated to determine those controls continue to be effective***

**Criteria:**

2 CFR 215 dictates State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133,''Audits of States, Local Governments, and Non-Profit Organizations.'' Subpart C .300(b) of the circular states it is the responsibility of the Auditee to "maintain internal control over Federal programs that provides reasonable assurance that the Auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

In instances where program aspects and the related processes and internal controls are outsourced to organizations that provide services, and those program aspects and related processes and internal controls are significant to the State's compliance with the laws, regulations, and the provisions of grant agreements relative to the administration of federal awards; the State should periodically evaluate those program aspects and related processes and controls to determine they are and continue to be effective.

**Condition:**

The Department utilizes an integrated benefits management system, referred to as Starlinc, to administer the WIC program. The Department relies on this system to manage significant aspects of, and the related processes associated with, the issuance, tracking, and redemption of WIC food instruments issued in the form of paper vouchers by local WIC agencies and redeemed by program participants through WIC food vendors. The Department also relies on Starlinc to assist in the identification of high risk WIC vendors, track vendor activity, manage vendor payment discrepancies or denials, and calculate WIC food rebates due from manufacturers in accordance with contractual agreements. The Starlinc system is contractually hosted, maintained, and operated by a third party vendor.

During our audit it was noted the Department does not periodically evaluate the design and operating effectiveness of the processes and controls used by the service organization to obtain reasonable assurance those processes and controls are designed effectively to prevent or detect and correct in a timely manner instances of non-compliance with the laws, regulations, and the provisions of WIC grant agreements.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

The service organization has not provided, nor has the Department requested, a report on management's description of a service organization's system and the suitability of the design and operating effectiveness of controls (SOC 1 report). This report provides a description of the service organization's controls that may be relevant to a user organization's internal control, whether such controls were suitably designed to achieve specific control objectives, and whether they had been placed in operation as of a specific date. This report also provides for testing of the controls to determine that the controls were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the period specified.

**Cause:**

Management oversight

**Effect:**

The Department has not ensured the controls that were designated to be in place within the Starlinc system are designed effectively to prevent material non-compliance with the laws, regulations, and the provisions of contracts or grant agreements of the WIC program and are in place and operating as intended.

**Questioned Costs:**

None

**Recommendation:**

The Department should require the service organization contracted to host, maintain, and operate the Starlinc system to provide the Department with an annual SOC 1 report as a means of obtaining reasonable assurance the processes and internal controls incorporated into the Starlinc system are and continue to be designed properly and operate effectively to prevent non-compliance with the laws, regulations, and the provisions of contracts or grant agreements of the WIC program.

**Auditee Corrective Action Plan:**

We concur that we did not require the SOC 1 report as part of the current contract with StarLinc. We will review the documentation provided by the vendor and consider adding this report requirement to the future contract.

**Contact Person:**

Dolores A Cooper, Financial Manager, Division of Public Health Services.

**Anticipated Completion Date:**

June 2015

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-023.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Environmental Protection Agency*** ***Finding 2013-022***
***NH Department of Environmental Services***

***CDFA # 66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)***

***Grant Year and Award:***

| | |
|---|---|
| ***2007*** | ***CS330001-07*** |
| ***2008*** | ***CS330001-08*** |
| ***2009*** | ***CS330001-09; FS9911009*** |
| ***2010*** | ***CS330001-10; FS99115010*** |
| ***2011*** | ***CS330001-11; FS99115011*** |
| ***2012*** | ***CS330001-12; FS99115012*** |
| ***ARRA*** | ***2W-33000209-0; 2F-96102301*** |

***Finding: Noncompliance with applicable funding technique in the Treasury- State Agreement***

**Criteria:**

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. Annually, the State of New Hampshire negotiates the Treasury-State Agreement (TSA) with the Treasury which details the funding techniques to be used for the drawdown of federal funds and the terms for the transfer of financial assistance funds between the Federal government and the State of New Hampshire.

**Direct Costs:**

In the TSA for the period July 1, 2012 – June 30, 2013, the funding technique agreed upon was the Capitalization Grants for State Revolving Funds Technique. This agreement also states the State shall request funds such that they are deposited on the average date of clearance for funds disbursed to loan recipients, which is 4 days.

**Administrative Costs:**

In the Treasury-State Agreement for the period July 1, 2012 – June 30, 2013, the funding technique agreed upon was the Cost Allocation Plan - Monthly. This technique states the State shall request funds once a month, such that they are deposited on the median day of the month, to fund activity of the prior month. The amount of the request for a given month's activity shall be based on actual costs distributed in accordance with the State's approved cost allocation plan.

**Condition:**

During the audit, we noted for direct costs, the Department of Environmental Services (DES) did not comply with the applicable funding technique specified in the TSA. We noted that in all of 40 cash draws tested for each program, CWSRF and DWSRF, DES paid the sub-recipient the same day as requesting federal funds from the federal government, instead of ensuring the 4 day clearance pattern was met.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

For the DWSRF program, we noted DES did not comply with the applicable funding technique specified in the Treasury State Agreement for administrative costs. We noted that for the first three months, a quarterly drawdown was performed, while during the remaining 9 months, the drawdowns were performed monthly, as prescribed.

A similar finding was noted in the prior single audit report.

**Cause:**

For the direct costs, DES misunderstood the funding technique to be utilized by the State. The State posted the expense to the general ledger, and then prepared a federal drawdown request four days later and released the funds on the same day.

For the administrative costs, DES did not perform the administrative draws timely.

**Effect:**

DES was not in compliance with the funding technique specified in the TSA.

**Recommendation:**

DES should review the Treasury State Agreement prior to disbursing funds, to ensure the approved clearance patterns for direct and administrative costs are met. DES should work with the State Treasury to ensure that the Treasury State Agreement is amended for SFY 2014.

**Questioned Costs:**

None

**Auditee Corrective Action Plan:**

DES has been working with the State Treasury to amend the Treasury State Agreement to reflect the process of a zero day clearance pattern. This amendment has been approved and will be reflected in the 2014 Treasury State Agreement.

DES is working with the Treasury Department to modify the Treasury State Agreement to reflect quarterly drawdowns for both CWSRF and DWSRF programs.

**Contact Person:**

CWSRF: Paul Heirtzler, Administrator
DWSRF: Sarah Pillsbury, Administrator

**Anticipated Completion Date:**

September 30, 2015

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-043.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Homeland Security*** ***Finding 2013-023***
***NH Department of Safety – Division of Homeland Security and Emergency Management***

***CFDA #97.036 Disaster Grants – Public Assistance***

***Grant Year and Award:***

| | |
|---|---|
| ***3/29/10 - 3/29/14*** | ***DRNH 1892 PA*** |
| ***5/12/10 – 5/29/14*** | ***DRNH 1913 PA*** |
| ***7/22/11 – 7/22/15*** | ***DRNH 4006 PA*** |
| ***9/3/11 – 9/3/15*** | ***DRNH 4026 PA*** |
| ***12/5/11 – 12/5/15*** | ***DRNH 4049 PA*** |
| ***6/15/12 – 6/14/16*** | ***DRNH 4065 PA*** |
| ***11/4/12 – 11/3/16*** | ***DRNH 4095 PA*** |
| ***3/19/13 – 3/17/17*** | ***DRNH 4105 PA*** |
| ***11/4/12 – 11/3/16*** | ***EMNH 3360 PA*** |

***Finding: Federal Funding Accountability and Transparency Act reporting requirements should be complied with***

**Criteria:**

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) (P.L.109-282), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (P.L. 110-252), requires full disclosure to the public of Federal spending through a single searchable database that identifies all entities or organizations receiving Federal funds.

Prime grant awardees of Federal grants of $25,000 or more must report associated grant first-tier sub-grants of $25,000 or more.

Sub-award information required for FFATA reporting:

- Name of entity receiving award
- Amount of award (obligated amount)
- Funding agency
- NAICS code
- Program source
- Award title descriptive of the purpose of the funding action
- Location of the entity (including congressional district)
- Place of performance (including congressional district)

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

- Unique identifier of the entity and its parent; and
- Total compensation and names of top five executives (prime or sub-awardee)

**Condition:**

The Department of Safety's Division of Homeland Security and Emergency Management (HSEM) regularly grants the majority of its federal Public Assistance to sub grantees. During the fiscal year ended June 30, 2013, HSEM sub granted $9.8 million or 99.65% of total federal funds received. However, HSEM did not report the required FFATA information.

A similar finding was noted in the prior single audit.

**Cause:**

HSEM became aware of the FFATA compliance requirements through the Single Audit for the fiscal year ended June 30, 2012.

**Effect:**

HSEM was not in compliance with the FFATA reporting requirements for the fiscal year ended June 30, 2013.

**Questioned Costs:**

None

**Recommendation:**

HSEM should review the FFATA reporting requirements, establish and implement procedures to report the required sub grant information and therefore comply with Federal reporting requirements.

**Auditee Corrective Action Plan:**

The State of NH, Department of Safety, Division of Homeland Security and Emergency Management has implemented a two-fold response to this finding.

1. All awards of $25,000 or more to sub-grantees since October 2010 have been identified. Sub-grantees have been contacted via letter of the requirement and have been sent the FFATA form and instructions. We have requested the sub-grantee to submit their completed FFATA form to our office. All forms sent out are being monitored on a spreadsheet which is designed to track the community name, project number, project description, date funds were obligated, total funds and total federal funds allocated. Once the FFATA form is received back in our office, the information is reported in the FFATA Sub-Award Reporting System (FSRS). This requirement has been added to our Public Assistance Administrative Plan.

2. The FFATA form has been added to all correspondence going out to new sub-grantees and is required as part of their initial grant paperwork.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Contact Person:**

Leigh A. Cheney, Planning Chief

**Anticipated Completion Date:**

Completed

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-025.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Homeland Security*** ***Finding 2013-024***
***NH Department of Safety – Division of Homeland Security and Emergency Management***

***CFDA #97.036 Disaster Grants – Public Assistance***

***Grant Year and Award:***

| | |
|---|---|
| ***3/29/10 - 3/29/14*** | ***DRNH 1892 PA*** |
| ***5/12/10 – 5/29/14*** | ***DRNH 1913 PA*** |
| ***7/22/11 – 7/22/15*** | ***DRNH 4006 PA*** |
| ***9/3/11 – 9/3/15*** | ***DRNH 4026 PA*** |
| ***12/5/11 – 12/5/15*** | ***DRNH 4049 PA*** |
| ***6/15/12 – 6/14/16*** | ***DRNH 4065 PA*** |
| ***11/4/12 – 11/3/16*** | ***DRNH 4095 PA*** |
| ***3/19/13 – 3/17/17*** | ***DRNH 4105 PA*** |
| ***11/4/12 – 11/3/16*** | ***EMNH 3360 PA*** |

***Finding: Communication to subrecipients and subrecipient monitoring procedures should be improved***

**Criteria:**

In accordance with 31 USC 7502(f)(2), each pass-through entity is responsible for providing the subrecipient with the Federal program name, including any identifying numbers, and is also responsible for reviewing and following up on subrecipient audit findings.

**Condition:**

During the fiscal year ended June 30, 2013, the Department of Safety's Division of Homeland Security and Emergency Management (HSEM) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements.

HSEM communicates federal compliance requirements to subrecipients through applicant briefing meetings and form letters attached to subrecipient payments. While these communications include the identification of the disaster number and federal awarding agency, HSEM did not communicate the CFDA# and title to its subrecipients during the fiscal year ended June 30, 2013.

HSEM also did not have procedures in place to acquire, review, and follow up on subrecipient Single Audit reports during the fiscal year ended June 30, 2013. Out of a sample of 22 non-State agency subrecipients no evidence of that monitoring was observed.

A similar finding was noted in the prior single audit.

**Cause:**

HSEM reported that lack of resources during the fiscal year ended June 30, 2013 contributed to the condition.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Effect:**

HSEM was not in compliance with Subrecipient Monitoring requirements during the fiscal year ended June 30, 2013.

**Questioned Costs:**

None

**Recommendation:**

HSEM should establish and implement procedures to ensure that all required grant information, including the CFDA number and title, is communicated to subrecipients. Procedures should also be established and implemented to track, review, and follow up on subrecipient single audits.

**Auditee Corrective Action Plan:**

The State of NH, Department of Safety, Division of Homeland Security and Emergency Management has implemented the following to address sub-grantee monitoring:

1. All written correspondence to the sub-grantees now includes the CFDA Number and the name of the disaster.

2. The Department of Safety Grants Management Unit maintains a spreadsheet for audit tracking to monitor sub-grantee compliance with audit requirements. This spreadsheet is now being shared between Grants Management and the PA staff to monitor A-133 audit compliance of sub-grantees. This alleviates duplication of effort within the Department of Safety and allows the PA staff to concentrate on collecting the remaining audit reports.

**Contact Person:**

Leigh A. Cheney, Chief of Planning

**Anticipated Completion Date:**

January 1, 2015

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-026.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | |
|---|---|
| ***U.S. Department of Labor*** | ***Finding 2013-031*** |
| ***NH Department of Employment Security*** | |
| ***CFDA #17.225 Unemployment Insurance*** | |
| ***Grant Year and Award:*** | |
| ***2009*** | ***UI-18035-09-55-A-33*** |
| ***2010*** | ***UI-19597-10-55-A-33 (ARRA)*** |
| ***2010*** | ***UI-19597-10-55-A-33*** |
| ***2011*** | ***UI-21114-11-55-A-33*** |
| ***2012*** | ***UI-22327-12-55-A-33*** |
| ***2013*** | ***UI-23906-13-55-A-33*** |

***Finding: Controls over Federal reporting procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements***

**Criteria:**

*UI Reports Handbook No. 401* states:
"It is the policy of the Office of Workforce Security (OWS) to assure accuracy, uniformity, and comparability in the reporting of statistical data derived from state unemployment insurance operations through state adherence to Federal definitions of reporting items, use of specific formats, observance of reporting due dates, and regular verification of reporting items."

"All applicable data on the ETA 227 [the Overpayment Detection and Activity Recoveries report] should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system."

"The ETA 581 report [Contribution Operations report] provides information on volume of work and state agency performance in determining the taxable status of employers and the processing of wage items; in the collection of past due contributions and payments in lieu of contributions, and delinquent reports; and in field audit activity. The data provide measures of the effectiveness of the tax program."

**Condition:**

The Department of Employment Security (Department) is responsible for submitting quarterly and monthly reports to the US Department of Labor (USDOL) related to the Unemployment Insurance (UI) program in New Hampshire. The UI program requires reports to be submitted timely and to contain complete and accurate data at the time of submission.

Reporting requirements deemed direct and material to the UI program included five report types, for example, the Financial Status Reports (ETA 9130), UI Financial Transaction Summary reports (ETA 2112), Contribution Operations reports (ETA 581), Financial Status of UCFE/UCX Reports (ETA 191), and Overpayment Detection and Recovery Activities reports (ETA 227).

For three out of 11 reports tested, we noted supporting documentation provided did not completely agree to all sections of the reports tested or underlying data contained errors due to a malfunction in the reporting function of the NH Unemployment Insurance System (NHUIS). As a result, we were unable to

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

obtain reasonable assurance reports were accurate and complete. The two report types containing errors are described below.

- One of the two ETA 581 reports tested, which is used to report information regarding tax status of employers and other information pertinent to the overall effectiveness of the tax program, contained a transposition error on the final report submitted to the US DOL. The amount reported was $6,858 instead of $68,058. A supervisor only reviewed a draft copy of the ETA 581 report, and therefore, did not identify the transposition error on the final report submitted.

- For the two ETA 227 reports tested, which is used to report fraudulent or non-fraudulent overpayment information, causes, methods of detection, and recovery information, auditors were able to agree some of the reported information to supporting documentation but not all. The Department indicated the source of the report information is the NHUIS system and it is known, by the Department and US DOL that the reporting function for the ETA 227 report is not functioning properly. Purportedly, the data being reported is the best information available at the time the report is due. This has been a recurring issue since the implementation of the NHUIS system in 2009 and remained unresolved for State fiscal year 2013.

A similar finding was noted in the prior single audit report.

**Cause:**

A draft report was reviewed rather than the final report version. Also, unreliable data is generated from the NHUIS system for the ETA 227 reports.

**Effect:**

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program, as amounts and statistics reported have not been supported with accurate data as noted above.

**Questioned Costs:**

None

**Recommendation:**

The Department should strengthen its controls over the Reporting Compliance requirement and ensure all activity of the reported period is accurate, reliable, supported by applicable accounting and performance records, and presented in accordance with applicable UI requirements.

Specifically, the Department should continue to diligently work on correcting the reporting function of the NHUIS system to ensure underlying reporting data for the ETA 227 reports are properly generated as well as ensuring reports reviewed and approved are the versions transmitted to the US DOL.

**Auditee Corrective Action Plan:**

The following Policy Memo has been distributed to strengthen controls on report accuracy. Overpayment Business Process Review has been conducted with final report expected to be signed off on by 2/28/2014.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

The BPR included review of ETA 227 components and recommendations for improvement. All defect corrections and improvements will be implemented by September 2014.

**Contact Person:**

Dianne Carpenter, Unemployment Compensation Bureau Director

**Anticipated Completion Date:**

September 30, 2015

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-037.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Veterans Affairs*** ***Finding 2013-033***
***NH Veterans Home***

***CFDA #64.015 Veterans State Nursing Home Care***

***Grant Year: 2013***

***Finding: Controls over ensuring contractors are neither suspended nor debarred should be established and implemented***

**Criteria:**

2 CFR 180.300 states, "When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the Excluded Party List System; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person."

A covered transaction is described in 2 CFR 180.220 (b) (1) as a contract for goods or services awarded by a participant in a nonprocurement transaction that is covered under section 180.210, and the amount of the contract is expected to equal or exceed $25,000.

**Condition:**

During fiscal year 2013, the Veterans Home (Home) had no controls in place to ensure its contractors were not suspended or debarred. While testing revealed no suspended or debarred parties, for 3 out of 3 vendor contracts tested, none included a certification or clause regarding suspension/debarment and none were subjected to verification of their suspension/debarment status through a review of the Excluded Party List System (EPLS).

A similar finding was noted during the prior single audit report.

**Cause:**

The Home did not establish and implement controls to ensure its contractors were neither suspended nor debarred.

**Effect:**

By failing to comply with 2 CFR 180.300, the Home risks inadvertent contracting with suspended or debarred parties.

**Questioned Costs:**

None

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Recommendation:**

The Home should establish the procedures outlined in 2 CFR 180.300, such as (a) Checking the Excluded Party List System; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person." and implement controls to ensure compliance with the 2 CFR 180.300 regulations occurs.

**Auditee Corrective Action Plan:**

The Home has establish the procedures as outlined in 2 CFR 180.300, such as (a) Checking the Excluded Party List System, or (b) Collecting a certification form from the person, or (c) Adding a clause or condition to the covered transaction with the person. The Home has added this procedure to the policies followed in regards to all purchasing.

**Contact Person:**

Margaret D. LaBrecque, Commandant

**Anticipated Completion Date:**

September 30, 2014

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-038.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

| | |
|---|---|
| ***U.S. Department of Health and Human Services*** | ***Finding 2013-035*** |
| ***NH Office of Energy and Planning*** | |
| ***CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)*** | |
| ***Grant Year and Award:*** | |
| ***10/1/11-9/30/13*** | ***G-12B1NHLIEA*** |
| ***10/1/12-9/30/14*** | ***G-13B1NHLIEA*** |

***Finding: OEP should establish internal controls over and comply with the reporting requirements of the Federal Funding Accountability & Transparency Act (FFATA)***

**Criteria:**

The Federal Funding Accountability and Transparency Act (FFATA) – P.L. 109-282, as amended by section 6202 (a) of P.L. 110-252, requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards. FFATA prescribes specific pieces of information to be reported. For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Sub-award Reporting System (FSRS) and report sub-award data through FSRS. To do so, they are first required to register in Central Contractor Registration (CCR) (if they have not done so previously for other purposes, e.g., submission of applications through grants.gov) and actively maintain the registration. Prime awards have previously been required to register in CCR. Grants and cooperative agreement recipients and contractors must report information related to the sub-award by the end of the month following the month in which the sub-award or obligations of $25,000 or greater were made and, for contracts, the month in which a modification was issued that changed previously reported information.

Sub award information required for FFATA:

- Sub award Date
- Sub awardee's DUNS #
- Amount of sub award
- Sub award Obligation/Action Date
- Date of Report Submission
- Sub award Number

**Condition:**

During the audit, we were informed that OEP did not submit the required FFATA reports for the LIHEAP program during fiscal year 2013.

A similar finding was noted during the prior single audit report.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Cause:**

Reportedly, a lack of resources prevented the OEP from filing the required FFATA reports.

**Effect:**

OEP's nonperformance resulted in non-compliance with LIHEAP reporting requirements.

**Questioned Costs:**

None

**Recommendation:**

OEP should review the FFATA reporting requirements, establish control procedures to report the required sub grant information and comply with the FFATA reporting requirements of the LIHEAP program.

**Auditee Corrective Action Plan:**

OEP concurs and has developed and implemented procedures to ensure compliance with FFATA reporting requirements. Issues with the FFATA web portal have been resolved and OEP has been successful in submitting the required reporting information.

**Contact Person:**

Meredith A. Hatfield, Director

**Anticipated Completion Date:**

February 27, 2015

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-036.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***U.S. Department of Health and Human Services*** ***Finding 2013-036***
***NH Office of Energy and Planning***

***CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)***

***Grant Year and Award:***
***10/1/11-9/30/143*** ***G-12B1NHLIEA***
***10/1/12-9/30/14*** ***G-13B1NHLIEA***

***Finding: Internal controls over the subrecipient monitoring requirements should be improved***

**Criteria:**

The State Office of Energy and Planning (OEP) is required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements (2 CFR 215). This includes internal controls designed to assure program management that the subrecipient monitoring requirements are being met.

**Condition:**

The OEP monitors LIHEAP subrecipients by conducting both program monitoring activities and field monitoring activities. The program monitoring activities are designed to evaluate a subrecipient' s compliance with LIHEAP requirements and the efficiency and effectiveness of the subrecipient' s administration of and internal controls over the LIHEAP. Field monitoring activities are designed to evaluate the quality of the actual weatherization work performed through the inspection of weatherized dwellings.

The OEP did not establish procedures to ensure that internal controls were operating effectively. For 2 out of 3 Community Action Agencies (CAA's), the program monitoring report was not signed by either the preparer or a reviewer. In addition, all of the CAA's did not have signed field monitoring reports by either the preparer or reviewer. Both reports are required to be signed by OEP's procedures. The lack of signed reports does not hold individuals accountable for their job performance nor does it show that the reports were properly approved.

A similar finding was noted in the prior year single audit report.

**Cause:**

Decreased staffing levels may have resulted in ineffective internal controls in place over the subrecipient monitoring process. Due to the lack of staff, the responsibility of reviewing monitoring and site inspection reports is solely reliant on the Program Manager.

**Effect:**

OEP's lack of effective monitoring controls of the CAA's may result in noncompliance with the subrecipient monitoring requirements.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Questioned Costs:**

None

**Recommendation:**

OEP should strengthen controls to ensure that the subrecipient program monitoring and field monitoring reports are signed by the individual completing the reports and are then authorized by the Program Manager.

**Auditee Corrective Action Plan:**

OEP concurs and has noted that decreased staffing levels and turnover have impacted the LIHEAP program. OEP has developed policies and procedures including internal controls to ensure compliance with the subrecipient monitoring requirements. OEP has created monitoring schedules and continues to use our developed monitoring tools and procedures. OEP's Grants Compliance Specialist performs the Fiscal Monitoring and the Program Manager reviews and approves the monitoring report. Program monitoring is performed by OEP's Program Manager and OEP's Director reviews and approves monitoring reports.

**Contact Person:**

Meredith A. Hatfield, Director

**Anticipated Completion Date:**

February 27, 2015

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-035.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***Department of the Interior*** ***Finding 2013-041***
***NH Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award:*** ***Various***

***Finding: Internal controls and compliance over the subrecipient monitoring requirements should be improved***

**Criteria:**

Per (2 CFR 215) State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133,''Audits of States, Local Governments, and Non-Profit Organizations.'' Subpart C .300(b) of the circular states it is the responsibility of the Auditee to "maintain internal control over Federal programs that provides reasonable assurance that the Auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. This requirement includes maintaining a system of internal controls over the sub-recipient monitoring requirements of federal programs.

The OMB Circular A-133 Compliance Supplement states a pass-through entity is responsible for monitoring the subrecipient' s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

**Condition:**

The Fish and Game Department (the Department) does not have adequate subrecipient monitoring procedures in place.
During our audit, we noted the following deficiencies related to subrecipient monitoring:

- The Department does not have a formal policy in place regarding conducting subrecipient site visits during the award.
- The Department does not request and review A-133 single audit reports of Fish & Wildlife funding subrecipients in order to follow up on any findings that would relate to compliance with Fish and Wildlife program cluster requirements.
- The Department does not maintain proof of compliance with all subrecipient monitoring requirements, as no documentation exists such as a checklist or spreadsheet validating that all requirements were met.
- The Department had difficulty producing a list of all contracts, including subrecipient contracts, due to various system limitations. All contracts are entered into Lawson, the State's accounting system, in the form of a purchase order; however, once the associated invoice has been paid, one can no longer look up this information in Lawson. As such, the Department has a Microsoft Access database tracking contracts; however, during our test work, we identified several contracts

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

that were not entered into the database due to an oversight. The Department was able to provide information related to these contracts through a review of their hardcopy file drawer.

**Cause:**

The Department lacks effective monitoring controls over the subrecipient monitoring requirement for the Fish and Wildlife Cluster.

**Effect:**

The Department's lack of effective monitoring controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster fostered an environment wherein effectively designed internal controls were not in place and operating as intended. The Department's failure to effectively implement the internal controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster resulted in noncompliance with the subrecipient monitoring requirements.

**Questioned Costs:**

Not determinable

**Recommendation:**

The Department should institute effective monitoring controls over the subrecipient monitoring requirements of the Fish & Wildlife Cluster, such as improved tracking of subrecipient contracts and status of associated monitoring elements. Also, annual site visits, and a review and follow up of annual subrecipient single audit reports and applicable findings, should be performed in order to ensure compliance with Federal regulations. We further recommend that the Department formally document these procedures in a grant policies and procedures manual.

**Auditee Corrective Action Plan:**

We concur with the finding. The Department does provide sub-recipients with applicable Federal award information, such as CFDA No., and maintains close contact with sub-recipients throughout the performance of sub-awards under the program cluster. Additionally, the Department requires and reviews periodic cost reports / invoices along with interim and final performance reports. The Department acknowledges, however, that sub-recipient tracking and monitoring controls should be improved. We will review compliance requirements and institute appropriate policy and procedures to effectively monitor sub-recipients within the capacity of available resources.

**Contact Person:**

Randy L. Curtis, Administrator I

**Anticipated Completion Date:**

June 30, 2015

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-028.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***Department of the Interior*** ***Finding 2013-042***
***NH Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

***Finding: Request for reimbursements not performed timely***

**Criteria:**

Per 31 CFR, Subpart B, Section 205.32, the Fish and Game Department (the Department) is required to ensure that the timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

**Condition:**

During our test work, we observed a delay of up to seven months between when program funds were disbursed and when reimbursement was sought. We tested 40 expenditures consisting of 5 draws, and determined that the range from when cash was disbursed by the Department and when it was drawn down from the federal government was from 28 to 200 days. Of those expenditures tested, funds for 37 were disbursed over a month prior to the draw date, 33 were over 60 days, 20 were over 90 days, and 10 were over 120 days.

**Cause:**

The Department has not implemented controls that ensure timely request for reimbursement.

**Effect:**

The Department is not in compliance with cash management requirements as the timing and amount of funds transfers are not performed as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

**Questioned Costs:**

None

**Recommendation:**

The Department should review current cash management practices and institute controls to ensure the timely request of funds. We recommend that the Department take steps to reduce the time elapsing between disbursement and transfer of funds from the U.S. Treasury.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Auditee Corrective Action Plan:**

We concur with the finding. The reason behind this audit finding is due to a change in long time personnel and a 6 month vacancy of a critical position (federal aid accountant).

The incumbent federal aid accountant retired in March 2011. The position was subsequently vacant for 6 months. During that time, the supervisor of the position, who was also newly hired, was learning her own job as well as assuming the role of the accountant. Fiscal year end (FY 2011) came and some crucial tasks were left undone. This carried over into FY 2012. The vacant position was filled in late August 2011 and there was a significant learning curve and the attempt to catch up to an already way behind schedule was not successful to close out FY 2012.

FY 2013 began with a significant time delay in requesting federal reimbursements due to the activities of the prior 18 months. With increased time, personnel were able to catch up on delayed tasks and now are current and will continue to be current on our federal reimbursement requests.

**Contact Person:**

Kathy LaBonte, Administrator II

**Anticipated Completion Date:**

Completed

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-029.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***Department of the Interior*** ***Finding 2013-043***
***NH Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

***Finding: Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements***

**Criteria:**

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) (P.L.109-282), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (P.L. 110-252), requires full disclosure to the public of Federal spending through a single searchable database that identifies all entities or organizations receiving Federal funds.

Prime grant awardees of Federal grants of $25,000 or more must report associated grant first-tier sub grants of $25,000 or more.

Sub-award information required for FFATA reporting:

- Name of entity receiving award
- Amount of award (obligated amount)
- Funding agency
- NAICS code
- Program source
- Award title descriptive of the purpose of the funding action
- Location of the entity (including congressional district)
- Place of performance (including congressional district)
- Unique identifier of the entity and its parent; and
- Total compensation and names of top five executives (prime or sub-awardee)

**Condition:**

During the audit, we noted that the Fish and Game Department (the Department) did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements for the Fish and Wildlife program cluster.

**Cause:**

Although the Department was aware of FFATA reporting requirements, it did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Effect:**

The Department is not in compliance with the FFATA reporting requirement.

**Questioned Costs:**

None

**Recommendation:**

The Department should review the FFATA reporting requirements and establish controls and institute procedures to report the required sub grant information accurately and timely and, therefore, comply with the FFATA reporting requirements.

**Auditee Corrective Action Plan:**

We concur with the finding. The Department did establish an account in the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS) shortly after FFATA reporting requirements were established for grants. The Department has developed an information sheet regarding FFATA requirements for use by staff, as well as a form to aid in collecting the necessary sub-recipient information. Initially it was not possible to submit reports because the U.S. Fish and Wildlife Service (USFWS) was unable to upload the prime award information into the FSRS. Ultimately, the USFWS exempted states from the reporting requirement until the problem was solved. This initial situation led to the Department's failure to follow through, and report as required, once the problem was corrected. The Department will review FFATA reporting requirements and will put procedures in place to ensure proper and timely reporting of sub-recipient information as necessary in the future.

**Contact Person:**

Randy L. Curtis, Administrator I

**Anticipated Completion Date:**

June 30, 2015

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-030.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***Department of the Interior*** ***Finding 2013-044***
***NH Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award: Various***

***Finding: Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting***

**Criteria:**

Per Single Audit Act Amendments of 1996 and OMB Circular A-133, the State is required to report cash basis expenditures of Federal awards during the fiscal year on the Schedule of Expenditures of Federal Awards (SEFA).

**Condition:**

During our test work, we noted the Fish and Game Department (the Department) reported in the SEFA the amount of Federal funds reimbursed during the fiscal year, instead of the required cash basis expenditures. Due to the delay, of up to seven months, in requesting and therefore receiving Federal reimbursement, the effect was to overstate the expenditures made during fiscal year 2013, as fiscal 2012 expenditures are also included in the 2013 amounts.

The State's accounting system is unable to provide the detail required for grant reporting purposes, as such, the Department has utilized QuickBooks software for grant tracking purposes. However, the outdated version of the software used does not allow for the allocation of expenditures between the federally funded portion and the State match portion. As a result, the Department reports Federal revenues, which represent reimbursements of the portion of expenditures allocated to the Federal grants. The current process in place is dependent on a manual operation that one person controls in QuickBooks, that is not linked nor reconciled to the State of New Hampshire's financial management system, except for Federal revenues. Without the ability to reconcile the two systems for expenditures; the Department cannot assure that it is not claiming duplicate costs.

**Cause:**

The Departments utilizes accounting software (QuickBooks) that is autonomous from the State of New Hampshire financial management system and the Department reconciles the Federal revenue, but does not attempt to reconcile the two systems for expenditures. Additionally, the version of the software used does not meet the reporting requirements of the Department.

**Effect:**

Inaccurate reporting of SEFA expenditures due to reporting incorrect amounts

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department put into place processes and procedures, such as implementing the New Hampshire grants module or upgrading the version of the QuickBooks software used to a current one with expanded tracking and reporting capabilities, as well as enabling the reconciliation of expenditures with Lawson. In addition, the upgraded version of QuickBooks will have the added benefit of being supported by the developer's Information Technology department in the event of a problem with the data file, and allow the Department to track all grants in one data file.

**Auditee Corrective Action Plan:**

We concur with the finding. As we have caught up on our reimbursement requests, the accuracy of the SEFA reporting of expenditures has improved. Going forward, as brought to our attention, we will be focusing on reporting expenditures on a cash basis, as required.

We are also looking into upgrading our current version of QuickBooks to enable us to improve our tracking and reporting abilities.

**Contact Person:**

Kathy LaBonte, Administrator II

**Anticipated Completion Date:**

June 30, 2015

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-031.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

***Department of the Interior*** ***Finding 2013-045***
***NH Department of Fish and Game***

***CFDA #15.605 Sport Fish Restoration Program***
***CFDA #15.611 Wildlife Restoration and Basic Hunter Education***

***Grant Year and Award:*** ***Various***

***Finding: Incomplete equipment inventory count***

**Criteria:**

Per 2 CFR section 215.34, a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

**Condition:**

During our test work, we noted that two of the divisions of the Fish and Game Department (the Department) that held equipment purchased with Fish & Wildlife program cluster funds did not have inventory counts for fiscal years 2012 and 2013 due to an oversight. Additionally, we noted that the condition of equipment listed in the database did not always reflect the observed condition.

**Cause:**

The Department‘s controls need to be strengthened to ensure that a physical inventory of equipment shall be taken and the results, including condition, are reconciled with the equipment records at least once every two years.

**Effect:**

The Department is not in compliance with equipment management requirements regarding physical counts of equipment acquired under Federal awards. The incomplete counts do not allow the Department to resolve any potential differences between the physical inventory and equipment records for the effected divisions.

**Questioned Costs:**

None

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, AND 2011

**Recommendation:**

We recommend that the Department institute effective controls over equipment management, such as improved tracking of equipment management requirements, maintaining an inventory count by division, and resolving inventory discrepancies identified, if any, in order to ensure compliance.

**Auditee Corrective Action Plan:**

We concur with the finding. The same reason of personnel turnover and a key vacant position also falls to this audit finding. The federal aid accountant is also responsible for the reporting of the Department's inventory. Being new to the position, she did not have a clear understanding of the full requirements for reporting inventory and supervisory personnel did not oversee the reporting as much as they should have as the year-end processes were very busy. This has been corrected and will not be an issue moving forward.

**Contact Person:**

Kathy LaBonte, Administrator II

**Anticipated Completion Date:**

Completed

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-032.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***U.S Department of Health and Human Services*** ***Finding 2012-007***
***NH Department of Health and Human Services***

| | |
|---|---|
| ***CFDA # 93.044*** | ***Special Programs for the Aging- Title III, Part B – Grants for Supportive Services and Senior Centers*** |
| ***CFDA #93.045*** | ***Special Programs for the Aging-Title III, Part C – Nutrition Services*** |
| ***CFDA #93.053*** | ***Nutrition Services Incentive Program*** |
| ***CFDA #93.667*** | ***Social Services Block Grant*** |
| ***CDFA #93.283*** | ***Center for Disease Control & Prevention*** |
| ***CFDA #93.563*** | ***Child Support Enforcement*** |
| ***CFDA #93.596*** | ***Child Care Mandatory and Matching Funds of Child Care Development Fund*** |
| ***CFDA #93.658*** | ***Foster Care- Title IV-E*** |

***Grant Year and Award:*** ***Various***

***Finding: Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)***

**Criteria:**

The Federal Funding Accountability and Transparency Act (FFATA– P.L. 109-282, as amended by section 6202 (a) of P.L. 110-252) requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards. FFATA prescribes specific pieces of information to be reported. For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

Once the requirement applies, the recipient must report, for any sub award under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds. Recipients are not required to report on sub awards made on or after October 1, 2010 that use funds awarded prior to that date.

For contracts, implementation was phased in based on their total dollar value. Based on the Federal Acquisition Regulations (FAR) interim final rule, Transparency Act reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $20,000,000 or more.

- From October 1, 2010, until February 28. 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $550,000 or more.

- Starting March 1, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $25,000 or more.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Sub award Reporting System (FSRS) and report sub award data through FSRS. To do so, they will first be required to register in Central Contractor Registration (CCR) (if they have not done so previously for another purpose, e.g., submission of applications through Grants.gov) and actively maintain that registration. Prime contractors have previously been required to register in CCR.

Grant and cooperative agreement recipients and contractors must report information related to a sub award by the end of the month following the month in which the sub award or obligation of $25,000 or greater was made and, for contracts, the month in which a modification was issued that changed previously reported information.

**Condition:**

Bureau of Elderly and Adult Services

During the procedures performed, we noted that the Bureau of Elderly and Adult Services (BEAS) submitted the required reports in accordance *with the Federal Funding Accountability and Transparency Act (FFATA)* for the Aging Cluster Program. However, we noted that the sub awards were not reported by the end of the month following the month in which the sub awards were made. Additionally, we noted that the amounts included in the report were actual expenditures and not the amounts of the approved sub awards to contracted providers.

Further, during the procedures performed, we noted that the BEAS did not submit the required reports in accordance *with the Federal Funding Accountability and Transparency Act (FFATA)* for the Social Services Block Grant.

Center for Disease Control & Prevention (CDC) and Child Support

During the audit, we noted the State of New Hampshire's CDC, and Child Support Programs did not demonstrate a "good faith effort" to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements as no FFATA reports were submitted.

Foster Care

We noted that one contract in the amount of $765,722 was not reported as required by FFATA.

Child Care Development Fund

We noted that one contract was overstated as reported by $934,229 and two other contracts did not contain some of the required elements such as compensation and names of top five executives or the DUNS number of the contractor.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Cause:**

The cause is due to the lack of properly designed and implemented controls to ensure data integrity and timely submission.

**Effect:**

The Department cannot ensure that reports submitted are complete, accurate and in accordance with the Federal regulations.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Department institute a system of policies, procedures, and internal controls over the FFATA reporting requirements of the federal programs received by the Department.

**Auditee Corrective Action Plan:**

Bureau of Elderly and Adult Services: We Concur. We are working with our Federal Partners to correct prior submissions and will make sure that future submissions adhere to Federal regulations.

**Anticipated Completion Date:**

June 2014

**Contact Person:**

Jennifer Doig, Business Administrator IV

Division of Public Health Services(CDC): We concur. We have instituted a process to identify and enter/update the information by federal award. This process was initiated during April 2012.

**Contact Person:**

Dolores A Cooper, Business Administrator

**Anticipated Completion Date:**

June 2014

Division for Children, Youth and Families (Foster Care and Child Care Development Fund): We concur. We are working with our Federal Partners to correct prior submissions and will make sure that future submissions adhere to Federal regulations.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Contact Person:**

Dague B. Clark, Fiscal Administrator

**Anticipated Completion Date:**

June 2014

Division of Child Support Services(Child Support): We concur. DCSS attempted to file the FFATA report in October 2012 and, with the help of the FSRS Help Desk, determined that DCSS could not file this report because the Federal Sub-award Reporting System had entered this grant under the incorrect DUNS number. DCSS is working with FSRS to correct prior submissions and will make sure that future submissions adhere to Federal regulations.

**Contact Person:**

Lori Anderson, Program Specialist IV

**Anticipated Completion Date:**

June 2014

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-021.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***U.S. Department of Health and Human Services*** ***Finding 2012-014***
***NH Department of Health and Human Services***

***CFDA #93.959 Block Grants for Prevention and Treatment of Substance Abuse***

***Grant Year and Award:***

| | |
|---|---|
| ***2012*** | ***2B08TI010035-12*** |
| ***2011*** | ***2B08TI010035-11*** |
| ***2010*** | ***2B08TI010035-10*** |

***Finding: Maintenance of Effort, Earmarking and Period of Availability requirements not met***

**Criteria:**

The State shall for each fiscal year maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the two State fiscal years preceding the fiscal year for which the State is applying for the grant. The "principal agency" is defined as the single State agency responsible for planning, carrying out and evaluating activities to prevent and treat Substance Abuse (SA) and related activities. (42 USC 300x-30; 45 CFR sections 96.121 and 96.134; and Federal Register, July 6, 2001 (66 FR 35658) and November 23, 2001 (66 FR 58746-58747) as specified in II, "Program Procedures – Availability of Other Program Information").

The State shall expend not less than 20 percent of Substance Abuse Block Grant Federal funds for primary prevention programs for individuals who do not require treatment of Substance Abuse. The programs should educate and counsel the individuals on such abuse and provide for activities to reduce the risk of such abuse by the individuals (42 USC 300x-22; 45 CFR sections 96.124 (b)(1) and 96.125).

Any amounts awarded to the State for a fiscal year shall be available for obligation and expenditure until the end of the fiscal year following the fiscal year for which the amounts were awarded (42 USC 300x-62).

**Condition:**

During our test work over expenditures related to the Block Grant for prevention and Treatment of Substance Abuse, we noted the following:

1. The State did not meet its required maintenance of effort for the year ended June 30, 2012 as the State did not incur expense at a level greater than the average of such expenditures in the prior two years. In order to meet the maintenance of effort requirement as of June 30, 2012, the State needed to expend $6,696,297 and fell short by 18% due to expending only $5,508,683 of State funds.

2. The State did not meet the required 20 percent earmark related to prevention programs for the federal fiscal year grant that ended September 30, 2011. During our review of the documentation to support the earmark requirement, we noted $1,310 was paid subsequent to

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

September 30, 2011 for services rendered after the federal grant period had ended and $27,255 was paid preceding the beginning of the federal grant period starting October 1, 2009 for services rendered before the grant period had started. In addition, as these costs were incurred outside the grant period, we are unable to conclude that these costs are allowable as they do not meet the period of availability requirements.

**Cause:**

The cause of the condition found related to the maintenance of effort requirement appears to be reductions in general fund appropriations for the state fiscal year ended June 30, 2012. The cause of the condition found related to the earmarking requirement is primarily due to a weakness in procedures and internal controls to monitor the period of availability of each federal grant to ensure that those costs incurred during the performance period are tracked separately for each individual federal grant.

**Effect:**

The Department did not meet the maintenance of effort, earmarking or period of availability compliance requirements for the state fiscal year ended June 30, 2012.

**Questioned Costs:**

Not determinable for Maintenance of Effort
$28,565 spent outside the period of availability

**Recommendation:**

We recommend that the Department review their existing procedures related to the tracking of maintenance of effort, earmarking and period of availability requirements to ensure that all requirements are properly met in the correct time period.

**Auditee Corrective Action Plan:**

Maintenance of Effort (MOE):

The Director of the Bureau of Drug & Alcohol Services made senior management at the Department of Health and Human Services and the legislature aware during the biennium budget process in the Spring of 2011, the state would not meet the Federal Substance Abuse Prevention and Treatment MOE requirements due to reductions in general funds appropriations for state fiscal years 2012 and 2013.

The Bureau, with assistance from the Division of Community Based Care Services financial manager, has recently been able to negotiate certain funds being excluded from consideration, reducing the amount of the short fall from $2,965,184 to $1,187,614. The Department is currently working on a MOE waiver request and has been granted an extension deadline from March 4, 2013 to April 4, 2013.

We do agree that developing and utilizing expenditure reports will improve financial management functions.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

Prevention Set Aside:
The Bureau does concur that prevention set aside (earmarks) were not met. The Bureau of Drug and Alcohol Services will review internal controls to prevent this from happening in the future.

Reporting:
The Bureau of Drug & Alcohol Services is currently working with the Reporting and Analysis unit to develop expenditure reports to use in completing the annual block grant report.

**Contact Person:**

Joseph Harding, Director; Linda Colby, Business Administrator

**Anticipated Completion Date:**

April 1, 2015

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-015.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

| | |
|---|---|
| ***U.S. Department of Energy*** | ***Finding 2012-020*** |
| ***NH Office of Energy and Planning*** | |
| ***CFDA 93.568 Low Income Home Energy Assistance Program (LIHEAP)*** | |
| ***Grant Year and Award:*** | |
| ***10/1/09 – 9/30/11*** | ***G-10B1NHLIEA*** |
| ***10/1/10 –9/30/12*** | ***G-11B1NHLIEA*** |
| ***10/1/11 – 9/30/13*** | ***G-12B1NHLIEA*** |

***Finding: Internal controls and compliance over the sub recipient monitoring requirements of LIHEAP should be improved***

**Criteria:**

Per (2 CFR 215) State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133,''Audits of States, Local Governments, and Non-Profit Organizations.'' Subpart C .300(b) of the circular states it is the responsibility of the Auditee to "maintain internal control over Federal programs that provides reasonable assurance that the Auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. This requirement includes maintaining a system of internal controls over the sub-recipient monitoring requirements of federal programs.

The OMB Circular A-133 Compliance Supplement states a pass-through entity is responsible for monitoring the sub recipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

The Office of Energy and Planning's (OEP) Fuel Assistance Program Procedural Manual for 2011 – 2012 program year states OEP will conduct program and fiscal monitoring of the sub recipients for compliance with Federal and State rules and regulations, which will be followed by a written monitoring report.

**Condition:**

During State fiscal year 2012, the OEP did not sufficiently monitor LIHEAP sub grant supported activities to assure sub recipients maintained compliance with applicable Federal requirements.

In accordance with the OEP's Fuel Assistance Program Procedural Manual, each LIHEAP sub-recipient is subjected to at least one fiscal monitoring visit during each LIHEAP program year. If necessary, subsequent visits are scheduled to address any issues noted during the fiscal monitoring. The results of these monitoring visits, including recommended and required corrective actions are communicated back to the sub-recipients in the form of a formal report.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

During our audit, out of five sub recipients, we noted one instance of OEP not performing fiscal monitoring, and one instance of OEP not completing a fiscal monitoring report.

Our testing also indicated the OEP was not timely in their delivery of sub-recipient fiscal monitoring reports during the audit period. The reports were not communicated back to LIHEAP sub-recipients until between 33 and 113 days after the fiscal monitoring was concluded.

There have been similar findings in prior year audits of the LIHEAP program.

**Cause:**

OEP has one program manager dedicated to the LIHEAP program. Reported lack of resources and excessive work load has in part contributed to the issues noted above.

**Effect:**

OEP's lack of effective monitoring of all of the LIHEAP sub recipients resulted in noncompliance with the sub recipient monitoring requirements. This noncompliance could have a far-reaching effect on the sub recipients' compliance with the allowable activities and allowable costs.

**Questioned Costs:**

Not determinable

**Recommendation:**

We recommend that the OEP strengthen its internal controls over LIHEAP sub-recipient monitoring. Both application and fiscal monitoring should be performed and reporting should be completed and disseminated in a timely manner in accordance with the Fuel Assistance Program Procedural Manual.
OEP should also evaluate their staffing resources and internal control procedures over sub recipient monitoring, and ensure the procedure is designed effectively to prevent or detect and correct instances of noncompliance in a timely manner while being commensurate with available resources. OEP should also ensure internal controls are properly implemented and monitor its performance to ensure continued effectiveness.

**Auditee Corrective Action Plan:**

OEP concurs, and continues to evaluate our staffing resources and internal controls in light of staffing challenges. Despite these challenges, we have continued to make progress in fiscal monitoring of LIHEAP, including improvement in the timeliness of auditing reports. However, due to staffing transitions, the financial specialist was not able to focus on monitoring until well into the fiscal year. Lack of staff resources continues to be a challenge. OEP understands what needs to be addressed and expects to fully implement its fiscal monitoring plan as soon as practicable.

Over the last three years, OEP has developed and implemented new monitoring tools and procedures for application and fiscal monitoring. The application monitoring procedures include a complete review of

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

applications from intake to payments to reimbursement by OEP. The fiscal monitoring procedures include a complete review of all of the expenditures for one month. Each monitoring requires 30-35 hours to complete. In addition, the FAP Manager monitors applications and processes on a daily basis as issues arise. Now that the monitoring procedures are in place, monitoring of the Community Action Agencies (the sub recipients) will be completed within each program year.

**Contact Person:**

Meredith A. Hatfield, Director

**Anticipated Completion Date:**

February 27, 2015

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-035.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***U.S. Department of Health and Human Services*** ***Finding 2012-022***
***NH Office of Energy and Planning***

***CFDA # 93.568 Low Income Home Energy Assistance Program (LIHEAP)***

***Grant Year and Award:***
***10/1/10 – 9/30/12*** ***G-11B1NHLIEA***
***10/1/11 – 9/30/13*** ***G-12B1NHLIEA***

***Finding*: *The Office of Energy and Planning (OEP) should establish internal controls over and comply with the reporting requirements of the Federal funding accountability and transparency act (FFATA)***

**Criteria:**

As stated in the terms and conditions of the LIHEAP grant agreement for Federal Fiscal Year 2012, one of the administrative requirements of the program is compliance with the Office of Management and Budget's (OMB) OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Single Audit Act of 1984 as amended.

The OMB Circular A-133 Compliance Supplement applicable to audits of fiscal years beginning on or after June 30, 2010 indicates sub-award reporting under the FFATA is applicable to the LIHEAP program.

**Condition:**

During our audit, we were informed that OEP did not submit the required FFATA reports for the LIHEAP program during state fiscal year 2012.

There was a similar finding in the prior year audit of the LIHEAP program.

**Cause:**

Reportedly, a lack of resources prevented the OEP from filing the required FFATA reports.

**Effect:**

OEP's non-performance resulted in non-compliance with LIHEAP reporting requirements

**Questioned Costs:**

None

**Recommendation:**

We recommend that the OEP comply with the FFATA reporting requirements of the LIHEAP Program.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Auditee Corrective Action Plan:**

OEP concurs, and agrees that FFATA requirements were included as part of the contracts with the Sub-recipients. The Grants & Compliance Officer attempted to provide the information through the appropriate web portal on several occasions, but the website was down or not functioning. Due to reduced staffing resources, the Grants and Compliance Officer did not make further attempts to provide the information, resulting in OEP overlooking this reporting requirement.

OEP will comply with FFATA reporting requirements to collect and enter all data onto the FFATA reporting web portal.

**Contact Person:**

Meredith A. Hatfield, Director

**Anticipated Completion Date:**

February 27, 2015

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-036.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***U.S. Department of Homeland Security*** ***Finding 2012-034***
***NH Department of Homeland Security and Emergency Management***

***CFDA #97.036 Disaster Grants – Public Assistance***

***Grant Year and Award:***

| | |
|---|---|
| ***9/3/11-9/3/15*** | ***DRNH 4026 PA*** |
| ***8/27/11-8/27/15*** | ***DRNH 3333 EM*** |
| ***12/5/11-12/5/15*** | ***DRNH 4049 PA*** |
| ***7/27/11-7/27/15*** | ***DRNH 4006 PA*** |

***Finding: Noncompliance with the Federal Funding Accountability and Transparency Act***

**Criteria:**

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) (P.L.109-282), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (P.L. 110-252), requires full disclosure to the public of Federal spending through a single searchable database that identifies all entities or organizations receiving Federal funds.

Prime grant awardees of Federal grants of $25,000 or more must report associated grant first-tier sub-grants of $25,000 or more.

Sub-award information required for FFATA reporting:

- Name of entity receiving award
- Amount of award (obligated amount)
- Funding agency
- NAICS code
- Program source
- Award title descriptive of the purpose of the funding action
- Location of the entity (including congressional district)
- Place of performance (including congressional district)
- Unique identifier of the entity and its parent; and
- Total compensation and names of top five executives (prime or sub-awardee)

**Condition:**

The Department has not reported any information required by FFATA.

The Department regularly sub grants the majority of its federal Public Assistance to sub grantees. During fiscal 2012, the Department sub granted $13.8 million or 99.86% of total federal funds received. The Department was not aware of the reporting requirements under FFATA and has never reported any of its sub grants as required by FFATA.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Cause:**

The Department was not in compliance with the FFATA compliance requirements.

**Effect:**

The Department is not in compliance with the FFATA reporting requirement.

**Questioned Costs:**

None

**Recommendation:**

The Department should review the FFATA reporting requirements and establish controls procedures to report the required sub grant information and comply with FFATA.

**Auditee Corrective Action Plan:**

Homeland Security Emergency management (HSEM) will register with the FFATA system and begin to input data into the system. Data will be from all federal grants administered by HSEM.

**Contact Person:**

Elizabeth Peck, Assistant Planning Chief

**Anticipated Completion Date:**

Completed

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-025.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***U.S. Department of Homeland Security*** ***Finding 2012-036***
***NH Department of Homeland Security and Emergency Management***

***CFDA #97.036 Disaster Grants – Public Assistance***

***Grant Year and Award:***

| | |
|---|---|
| ***9/3/11-9/3/15*** | ***DRNH 4026 PA*** |
| ***8/27/11-8/27/15*** | ***DRNH 3333 EM*** |
| ***12/5/11-12/5/15*** | ***DRNH 4049 PA*** |
| ***4/27/11-3/31/12*** | ***DRNH 1695 PA*** |
| ***7/22/11-7/22/15*** | ***DRNH 4006 PA*** |
| ***3/29/10-3/29/14*** | ***DRNH 1892 PA*** |
| ***5/12/10-5/29/14*** | ***DRNH 1913 PA*** |

***Finding: Sub recipient Monitoring procedures must be established***

**Criteria:**

Per 31 USC section 7502 (f)(2)(a), at the time of the sub award there is a requirement to identify to the sub recipient the Federal award information (i.e. CFDA title and number, award name and number, and the name of the federal awarding agency) and identify applicable compliance requirements.

Additionally, OMB Circular A-133 Compliance Supplement, Sub recipient Monitoring, requires the recipients of federal funds to establish procedures to ensure that:

- The sub recipient provides a valid DUNS number before issuing the sub award,
- The pass-through entity properly identifies Federal award information and compliance requirements to the sub recipient,
- The pass-through entity monitors sub recipient activities to provide reasonable assurance that the sub recipient administers Federal awards in compliance with Federal requirements and achieves performance goals,
- The pass-through entity ensures required audits are performed, issued a management decision on audit findings within 6 months after receipt of the sub recipients' audit report, and ensured that the sub recipient took timely and appropriate corrective action on all audit findings.

**Condition:**

The Department does not have adequate sub recipient monitoring procedures in place.

The Department communicates sub grantee federal compliance requirements to sub grantees through applicant briefing meetings and form letters attached to sub grantee payments. While these communications include the identification of the disaster number and federal awarding agency, the Department has not communicated the CFDA number and title to its sub grantees.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

In addition, the Department does not have adequate procedures in place to monitor sub grantees' compliance with the audit requirements. The Department established an audit tracking spreadsheet, which is used to document the audit reports received. The spreadsheet is not; however used to follow up with sub grantees who have not submitted the required reports. The Department reports that the spreadsheet has not been maintained since a Program Assistance position became vacant.

Out of a sample of 25 sub grantees, we noted one audit report on file. While the Department provided us with four additional reports, those reports included audits of the sub grantees' financial statements and not the A-133 audits of federal assistance.

**Cause:**

The Department reported that lack of resources contributed to the condition.

**Effect:**

The Department was not in compliance with the Sub recipient Monitoring compliance requirements during fiscal 2012.

**Questioned Costs:**

None

**Recommendation:**

The Department should establish adequate procedures to ensure that all required grant information, including the CFDA number and title, are communicated to the sub grantees. Adequate policies must be established to track, review, and follow up on sub grantee audits.

**Auditee Corrective Action Plan:**

HSEM will create a database that will monitor all sub grantees information to include DUNS number. Additionally, if a sub grantee is awarded pass through grants greater than $100,000 in a calendar year, the database will indicate the source. At the end of a calendar year sub grantees will be contacted and an inquiry will be made if the sub grantee exceeded $500,000. If so a copy of the sub grantee Single Audit will be requested. Any findings will be examined with the sub grantee and corrective actions will be developed. The database will incorporate all pertinent information.

The PA Administrative Plan will be revised to reflect these changes.

**Contact Persons:**

Michael Poirier, Planning Chief
Cindy Richards, Hazard Mitigation Officer

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Anticipated Completion Date:**

January 1, 2015

**Status as of March 2015:**

Unresolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-026.

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***U.S. Environmental Protection Agency*** ***Finding 2012-037***
***NH Department of Environmental Services***

***CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)***
***CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)***

***Grant Year and Award:***

| | |
|---|---|
| ***10/1/08-10/1/15*** | ***2F96102301 – ARRA*** |
| ***10/1/08-10/1/18*** | ***FS99115009*** |
| ***10/1/08-10/1/17*** | ***FS99115008*** |
| ***10/1/07-10/1/17*** | ***FS99115007*** |
| ***10/1/08-12/31/13*** | ***2W33000209 – ARRA*** |
| ***4/1/08-4/1/18*** | ***CS33000107*** |
| ***4/1/07-4/1/17*** | ***CS33000106*** |

***Finding: Noncompliance with the Treasury-State Agreement***

**Criteria:**

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

Annually, the State of New Hampshire negotiates the Treasury-State Agreement (TSA) with the Treasury which details the funding techniques to be used for the drawdown of federal funds and the terms for the transfer of financial assistance funds between the Federal government and the State of New Hampshire.

**Direct Costs**

In the TSA for the period July 1, 2011 – June 30, 2012, the funding technique agreed upon was the Capitalization Grants for State Revolving Funds Technique. This agreement also states the State shall request funds such that they are deposited on the average date of clearance for funds disbursed to loan recipients, as specified in the clearance pattern in Exhibit II of the TSA, which is 4 days.

**Administrative Costs**

In the Treasury-State Agreement for the period July 1, 2011 – June 30, 2012, the funding technique agreed upon was the Cost Allocation Plan - Monthly. This technique states the State shall request funds once a month, such that they are deposited on the median day of the month, to fund activity of the prior month. The amount of the request for a given month's activity shall be based on actual costs distributed in accordance with the State's approved cost allocation plan.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Condition:**

During the audit, we noted for direct costs, the Department of Environmental Services (DES) did not comply with the applicable funding technique specified in the TSA. For both the CWSRF and DWSRF, we noted that in all of 15 cash draws tested for each program, DES paid the sub-recipient the same day as requesting federal funds from the federal government, instead of ensuring the 4 day clearance pattern was met.

During the audit, we noted DES did not comply with the applicable funding technique specified in the Treasury State Agreement for administrative costs. We noted that drawdowns were not being performed monthly as there were only 4 drawdowns for the CWSRF, and 3 drawdowns for the DWSRF program during fiscal year 2012.

**Cause:**

For the direct costs, DES misunderstood the funding technique to be utilized by the State. The State posted the expense to the general ledger, and then prepared a federal drawdown request four days later, and released the funds on this day.

For the administrative costs, DES did not perform the administrative drawdowns timely.

**Effect:**

DES was not in compliance with the funding technique specified in the Treasury State Agreement.

**Recommendation:**

**Direct Costs**

DES should institute processes and controls to calculate the timing of the draw from the Federal government and the disbursement of funds to ensure the approved clearance pattern of 4 days is met. Alternatively, DES may work with the State Treasury to amend the TSA.

**Administrative Costs**

DES should implement policies and procedures to ensure monthly drawdown requests are being performed for administrative costs.

**Questioned Costs:**

None

**Auditee Corrective Action Plan:**

DES concurs with the administrative costs finding. DES is working with the Treasury Department to modify the Treasury State Agreement to reflect quarterly drawdowns for both CWSRF and DWSRF.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

DES feels our direct cost funding technique and clearance pattern is appropriate. After discussion with the Treasury Department we have decided to amend the Treasury State Agreement to reflect the process, a zero day clearance pattern for both CWSRF and DWSRF.

**Contact Person:**

CWSRF: Paul Heirtzler, Administrator DWSRF: Sarah Pillsbury, Administrator

**Anticipated Completion Date:**

September 30, 2015

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-043.

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***U.S. Department of Labor*** ***Finding 2012-042***
***NH Department of Employment Security***

***CFDA #17.225 Unemployment Insurance***

***Grant Year and Award:***

| | |
|---|---|
| ***2009*** | ***UI-18035-09-55-A-33*** |
| ***2010*** | ***UI-19597-10-55-A-33(ARRA)*** |
| ***2010*** | ***UI-19597-10-55-A-33*** |
| ***2011*** | ***UI-21114-11-55-A-33*** |
| ***2012*** | ***UI-22327-12-55-A-33*** |

***Finding: Federal reporting procedures need improvement***

**Criteria:**

*UI Reports Handbook No. 401* states:
"It is the policy of the Office of Workforce Security (OWS) to assure accuracy, uniformity, and comparability in the reporting of statistical data derived from state unemployment insurance operations through state adherence to Federal definitions of reporting items, use of specific formats, observance of reporting due dates, and regular verification of reporting items."

"All applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system."

"The ETA 581 report provides information on volume of work and state agency performance in determining the taxable status of employers and the processing of wage items; in the collection of past due contributions and payments in lieu of contributions, and delinquent reports; and in field audit activity. The data provide measures of the effectiveness of the tax program."

**Condition:**

The Department of Employment Security (Department) is responsible for submitting quarterly and monthly reports to the US Department of Labor (USDOL) related to the Unemployment Insurance (UI) program in New Hampshire. The UI program requires reports to be submitted timely and to contain complete and accurate data at the time of submission.

- For four out of 12 reports tested the Department did not consistently evidence the review of reports performed prior to submission to the US Department of Labor (USDOL).

The Department ensures compliance with the UI reporting requirements by performing a review of the information included in the report prior to submission to the USDOL by an employee with a supervisory authority. A prior year finding noted this procedure was not able to be verified, as it was not evidenced by all individuals performing the review. In fiscal year 2012, in the attempt to respond to the prior year

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

finding, the Department strengthened its procedure by requiring supervisors with this responsibility to document their review using initials, signature, or electronic documentation.

Test results revealed this procedure was not applied by all Department sections, specifically for the ETA 581 Contribution Operations and ETA 227 Overpayment Detection Recovery reports. We also noted, one individual assigned to perform the review responsibility is also responsible for compiling some of the data included in the report.

- For four out of 12 reports tested, we noted supporting documentation or electronic data provided did not completely agree to all sections of reports tested. As a result, auditors were unable to obtain reasonable assurance reports were accurate and complete.

The Department was able to retrieve some data and historical reports to corroborate some amounts and information reported in the ETA 581 but was not able to completely demonstrate all of the information reported. Also, while reviewing worksheets supporting tax audit information, we noted not all the information was being captured by the report due to a formula error. The issue was brought to the Department's attention and the Department immediately corrected the formula and resubmitted the ETA 581 report for two quarters (one of them selected for testing).

For the ETA 227 report, auditors were able to agree some of the reported cases investigated but unable to agree amounts reported to documentation provided. In addition, the Department indicated overpayment activity reported during fiscal year 2012 was not accurate due to a problem with their NH Unemployment Insurance (NHUIS) system. The Department indicated this issue is known by US DOL and the Department is diligently working on resolving the problem and adjusting the system to be able to report additional information now required by the US DOL.

**Cause:**

ETA 581 and ETA 227 reports are largely system-generated and therefore, it appears the Department relies mostly on data validation tools provided by USDOL and reviews by supervisors are more for reasonableness rather than accuracy.

**Effect:**

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program.

**Questioned Costs:**

None

**Recommendation:**

The Department should strengthen its controls over the Reporting Compliance requirement to ensure all activity of the reported period is accurate, reliable, supported by applicable accounting and performance records, and presented in accordance with applicable UI requirements. For example:

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

1. The Department should monitor its control procedure of reviewing and approving reports prior to submission to US DOL. The Department should ensure this responsibility is documented through Department policies, evidenced, and performed by individuals other than the ones compiling reports as an effort to demonstrate compliance with federal requirements.

2. The Department should continue to diligently work on correcting system errors, including manual formula verifications, to ensure underlying reporting data is correct and properly generated.

3. The Department should review current procedures for system-generated reports to ensure there is auditable evidence such as documentation or electronic data in order to demonstrate full compliance with the UI reporting requirements.

**Auditee Corrective Action Plan:**

1. Policy memo has been drafted, pending Commissioner approval, and will be issued regarding requirement of high-level review by someone with supervisory authority and not involved with compilation of data and documentation of review. List of ETA reports compiled with responsible administrator. (This will be complete by 2/28/2013.)

2. Department continues to work with vendor and other stakeholders to improve the integrity of all reports. ETA 227 improvements implemented in production January 2013. Focus of 2013 is on integrity – ensuring that all system processes in NHUIS that impact overpayments and reporting of same are complete and accurate. The Business Process Review began first quarter 2013 and is dissecting not only NHUIS but also business processes that can be streamlined and/or updated for efficiency and effectiveness. The process of BPR, evaluation and prioritization of recommendations, and final implementation of same is expected to take no less than one year.

3. Once details have been provided regarding exactly what data was not able to be produced for the audit, NHES will work with appropriate parties to correct. Data Validation process and results continue to be primary source for identification of reporting issues.

**Contact Person:**

Dianne Carpenter, UCB Director

**Anticipated Completion Date:**

September 30, 2015

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-037.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***U.S. Department of Veterans Affairs*** ***Finding 2012-063***
***NH Veterans Home***

***CFDA # 64.015 Veterans State Nursing Home Care***

***Grant Year: 2012***

***Finding: Suspension and debarment certifications should be included and verified for all contracts over covered transactions***

**Criteria:**

2 CFR 180.300 states that "When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the Excluded party list system; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person."

A covered transaction is described in 2 CFR 180.220 (2) (1) as a contract awarded by a participant in a non-procurement transaction that is covered under section 180.210 and the amount of the contract is expected to equal or exceed $25,000.

**Condition:**

The Veterans Home (the Home) does not have any controls in place to ensure contracts over covered transactions include a Certification regarding Debarment, Suspension, and other Responsibility matters in the contract. For 3 out of 3 vendor contracts tested, all failed to include this certification, and none were subjected to verification of their suspension/debarred status through a review of the Excluded party listing system (EPLS).

**Cause:**

The Home did not realize that these provisions were required under this program.

**Effect:**

By failing to include the Certification regarding Debarment, Suspension, and Other Responsibility Matters in contracts for covered transactions, or verifying the suspended or debarred status of the vendors on the EPLS; the Home is not in compliance with 2 CFR 180.300.

Additionally, failure to include the certification and verify the suspended or debarred status of vendors creates a situation wherein the home risks inadvertent contracting with suspended or debarred parties.

**Questioned Costs:**

None

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Recommendation:**

We recommend that the Home institute policies and procedures designed to ensure that Suspension and Debarment Certifications are included and verified for all covered transactions.

**Auditee Corrective Action Plan:**

The Home concurs and will institute policies and procedures designed to ensure that Suspension and Debarment Certificates are included and verified for all covered transactions.

**Contact Person:**

Margaret D. LaBrecque, Commandant

**Anticipated Completion Date:**

September 30, 2014

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-038.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***US Department of Health and Human Services*** ***Finding 2011-006***
***NH Department of Health and Human Services***

***CFDA # 93.778 Medical Assistance Program***

***Grant Year and Award:***
***2010*** ***Various***
***2011***

***Finding: Disproportionate share hospital cost recoupment does not comply with current Federal rules***

**Criteria:**

Under Section 1923(g)(1)(A) of Title XIX of the Social Security Act (Act), a hospital's disproportionate share (DSH) payments may not exceed the costs incurred by that hospital in furnishing services during the year to Medicaid patients and individuals "who have no health insurance (or other source of third party coverage) for services provided during the year", less other Medicaid payments made to the hospital and payments made by the uninsured patients for those services (uncompensated care costs).

In a December 19, 2008 Final Rule reported at 42 Code of Federal Regulations (CFR) Parts 447 and 455 (2008 DSH Final Rule), the Centers for Medicare and Medicaid Services (CMS) states "We have always read [Section 1923(g)(1)] to distinguish between care furnished to individuals who have health insurance or other coverage, and care furnished to those who do not. We have never read this language to be service-specific and we believe that such an interpretation would be inconsistent with the broad statutory references to insurance or other coverage."

**Condition:**

The New Hampshire Hospital included costs for paid days for patients that have some level of health insurance in its DSH calculation. Based on the 2008 DSH Final Rule referenced above, it appears costs for patients who have any level of health insurance should not be included in the DSH calculation, regardless of whether such health insurance covers the specific services being provided.

CMS has published a Proposed Rule in the Federal Register, Volume 77, Number 11, dated January 18, 2012 (Proposed Rule), related to the definition of "uninsured" for purposes of the hospital-specific DSH calculation. In the Proposed Rule, CMS acknowledged that the 2008 DSH Final Rule referred to above changed the regulatory definition of the term "uninsured" from previous guidance, resulting in an individual-specific basis for determining whether a cost is uninsured, as opposed to a service-specific basis as had been the interpretation provided in previous CMS guidance to States and providers. CMS also acknowledged in the Proposed Rule that the interpretation of the term "uninsured" in the 2008 DSH Final Rule superseded all prior interpretive issuances.

However, the Proposed Rule goes on to state that CMS believes uncompensated costs of providing inpatient and outpatient hospital services to individuals who do not have coverage for those specific

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

services should be considered costs for which there is no liable third party payer, and thus eligible costs for Medicaid DSH payments. To that end, in the Proposed Rule, CMS proposes a new section to 42 CFR Part 447 (Section 295), in which "individuals who have no health insurance (or other source of third party coverage) for the services furnished during the year" would be defined on a service-specific basis rather than on an individual basis. This proposed definition would instead require a determination of whether, for each specific service furnished during the year, the individual has third party coverage.

**Cause:**

New Hampshire Hospital applied guidance related to the definition of the term "uninsured" issued by CMS prior to the 2008 DSH Final Rule in its DSH calculation.

**Effect:**

Based on the interpretation of "uninsured" in the 2008 DSH Final Rule, New Hampshire Hospital appears to have overstated its DSH claim for fiscal year 2011.

**Questioned Costs:**

$8,412,822 based on the interpretation of "uninsured" in the 2008 DSH Final Rule.

**Recommendation:**

We recommend that New Hampshire Hospital monitor the progress of the Proposed Rule and evaluate the impact on its DSH calculation methodology upon the Proposed Rule becoming a Final Rule. If the provisions of the Proposed Rule are ultimately carried forward in a Final Rule, for purposes of the New Hampshire Hospital DSH calculation, the current treatment of services provided to patients with some level of insurance coverage, but for which the specific services provided are not covered by the insurance would likely be confirmed and changes to New Hampshire Hospital's DSH calculation methodology in relation to these patients may not be required. Should a Final Rule not be issued on this matter, or be issued such that it does not support a service-specific interpretation of the term "uninsured", then we recommend that New Hampshire Hospital make appropriate adjustments of its DSH calculation methodology to be in compliance with Federal law.

**Auditee Corrective Action Plan:**

NH Department of Health and Human Services (DHHS) does not concur with KPMG finding 2011-6, but does concur with the recommendation.

New Hampshire Hospital (NHH) does not concur with the audit finding for the following reasons. The audit has questioned costs in federal participation for Medicaid Disproportionate Share Hospital payments (DSH) for 2011. Recent action by CMS supports, for purposes of DSH, the DHHS treatment of services provided to patients with some level of insurance coverage, but for which the specific services provided are not covered by the insurance. This is consistent with the plain language of the statute, which has not changed despite varying interpretations by CMS.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

Section1902 (a)(13)(A)(iv) of the Social Security Act, which was established in 1981, allows States to make Medicaid payment adjustments for hospitals that serve a disproportionate share of low-income patients with special needs. Section 1923 (g) of the Act provides specific guidance regarding hospital-specific DSH payments. Section 1923 (g) of the Act states that DSH payment for uncompensated costs shall not exceed the costs of furnishing hospital services to "individuals *who are either eligible for medical assistance under the State plan or have no health insurance (or other source of third party coverage)* ***for services provided during the year****..." (Emphasis added).*

NH DHHS believes that CMS intended the implementation of the DSH audit rules, and the period for State Medicaid years 2005 through 2010, to be used by States as a learning process. "Findings from Medicaid State plan years 2005 through 2010 will be used only for the purpose of determining prospective hospital specific eligible uncompensated care cost limits and associated DSH payments." 73 FR 77948.

The DSH audit process for 2005 through 2010 was designed to allow hospitals and states to adjust to CMS's current requirements. This carefully designed federal process also allows CMS to review and adjust its interpretations in light of its national experience with the complexities in this area.

Given its experience and national feedback during this process, CMS has continued to examine and reconsider its interpretation of "uninsured" for purposes of DSH. On January 17, 2012, CMS issued a communication on proposed rulemaking that defines uninsured as having no insurance for the service provided. See CMS publication "CMS 42 CFR Part 447; Medicaid Program; Disproportionate Share Hospital Payments – Uninsured Definition; Proposed Rule."

CMS stated in that publication at page 12, "For purposes of defining uncompensated care costs for the Medicaid hospital-specific DSH limit, we believe that uncompensated costs of providing inpatient and outpatient hospital services to individuals who do not have coverage for those specific services should be considered costs for which there is no liable third party payer and thus eligible for Medicaid DSH payments."

In the context of responding to the Clifton Gunderson statewide DSH audit, NHH raised concerns regarding CMS' restrictive interpretation. NHH expressed its view that as a State owned and operated inpatient psychiatric facility, NHH provides mental health services to a higher percentage of individuals who have no source of third party coverage "for the services they received**"** when compared to general hospitals or special rehabilitation hospitals in New Hampshire. As New Hampshire's only inpatient psychiatric facility and only public hospital, NHH delivers mental health services to patients who are civilly committed to NHH by New Hampshire courts for extended periods of time. Mental health services as delivered by NHH very often are not covered by health insurance. Even in those limited instances where insurance does cover these services, the length of stay that is often necessary to stabilize, treat and then discharge a patient to a less restrictive setting is often longer than the insurance coverage or the patient has already exhausted a lifetime benefit for his or her inpatient psychiatric stay due to a serious and persistent mental illness.

CMS' recent communication and proposed rulemaking indicates with respect to the audited year, that NHH may properly include in its DSH calculation costs for individuals "who do not have coverage for those specific services." Id at pages 12 and 16.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

In the proposed revision to the rule, CMS states, "[t]his interpretation and definition of 'uninsured' affords States and hospitals maximum flexibility permitted by statute in calculating the hospital-specific DSH limit. This proposed **clarification would be effective for DSH audits and reports submitted following the effective date of the rule**, thus avoiding any unintended and potentially significant financial impact resulting from the 2008 DSH final rule." Id at 16 (emphasis added). See also CMS proposed rulemaking at 13-14 ("for purposes of calculating the hospital-specific DSH limit as described in section 1923 (g) of the Act **effective for 2011.**")

As NH DHHS does not concur with the substantive finding, it also does not concur with the dollar amount of the questioned costs. CMS has explicitly stated that its clarification will be effective for audits submitted after the rule is effective and for 2011. The NHH 2011 DSH program will be audited by Clifton Gunderson in 2014.

**Contact Person:**

Sheri Rockburn, Director of Finance, DCBCS

**Anticipated Completion Date:**

Not Applicable

**Status as of March 2015:**

Myers and Stauffer, the audit firm contracted by CMS to perform the State of NH DSH program Audit (previously done by Clifton Gunderson), has released its preliminary results of the NHH DSH audit for FY 2011. The results now indicate that NHH was permitted to claim additional uninsured days and as such has under-claimed the DSH payment. After the final report is released, the State is expected to adjust the next CMS-64 quarterly report to claim the additional appropriate federal share which is expected to be approximately $2.1 million.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***U.S. Department of Health and Human Services*** ***Finding 2011-018***
***NH Office of Energy and Planning***

***CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)***

***Grant Year and Award:***

| | |
|---|---|
| ***10/1/09 – 9/30/11*** | ***G-10B1NHLIEA*** |
| ***10/1/10 – 9/30/12*** | ***G-11B1NHLIEA*** |

***Finding*: *Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)***

**Criteria:**

The Federal Funding Accountability and Transparency Act (FFATA– P.L. 109-282, as amended by section 6202 (a) of P.L. 110-252) requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards. FFATA prescribes specific pieces of information to be reported. For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

Once the requirement applies, the recipient must report, for any sub award under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds. Recipients are not required to report on sub awards made on or after October 1, 2010 that use funds awarded prior to that date.

For contracts, implementation was phased in based on their total dollar value. Based on the FAR interim final rule, FFATA reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $20,000,000 or more.

- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $550,000 or more.

- Starting March 1, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $25,000 or more.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Sub award Reporting System (FSRS) and report sub award data through FSRS. To do so, they are first required to register in Central Contractor Registration (CCR) and actively maintain that registration. Prime contractors have previously been required to register in CCR.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

Grant and cooperative agreement recipients and contractors must report information related to a sub award by the end of the month following the month in which the sub award or obligation of $25,000 or greater was made and, for contracts, the month in which a modification was issued that changed previously reported information.

**Condition:**

During the audit, we noted that the OEP did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements. OEP did not attempt to report such awards subject to FFATA and lacks controls to determine when the FFATA reporting requirements are triggered.

**Cause:**

Although the OMB Circular A-133 Compliance Supplement for audits of fiscal years ending on or after June 30, 2011 clearly states the reporting requirements of the FFATA are applicable to the LIHEAP program, the requirement is not specified in other grant documentation and program guidance. Upon the release of the 2011 OMB Circular A-133 Compliance Supplement, OEP failed to note the program requirement, and therefore, did not take action to be in compliance with the reporting requirements therein.

**Effect:**

OEP's lack of awareness of the reporting requirements of the FFATA, as applicable to the LIHEAP program, resulted in noncompliance with those reporting requirements.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the OEP institute a system of policies, procedures, and internal controls over the FFATA reporting requirements of the LIHEAP Program.

**Auditee Corrective Action Plan:**

OEP has sought direction from its cognizant agency on how to implement this new federal requirement for LIHEAP. No guidance or policies have been forth coming. We understand that other state agencies have begun to establish its own policies to demonstrate a good faith effort to comply with this federal requirement. OEP will consult with these agencies and implement comparable procedures.

**Contact Person:**

Joanne O. Morin, Director

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Anticipated Completion Date:**

February 27, 2015

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-036.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

***U.S. Department of Labor*** ***Finding 2011-030***
***NH Department of Employment Security***

***CFDA #17.225 Unemployment Insurance***

***Grant Year and Award:***
***2010 UI-19597-10-55-A-33***
***2011 UI-19597-10-55-A-33***

***Finding: Controls over federal reporting and the accuracy of data included in federal reports need improvement***

**Criteria:**

The Department of Employment Security (Department) is responsible for submitting several quarterly and/or monthly reports to the US Department of Labor (USDOL) related to the Unemployment Insurance (UI) program in New Hampshire. The UI program requires reports to be submitted timely and to contain complete and accurate data at the time of submission.

As stated in the OMB Circular A-133, subpart C .300(b), it is the responsibility of the Auditee to "maintain internal control over Federal programs that provides reasonable assurance that the Auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

This requirement includes maintaining a system of internal controls over the reporting requirements of federal programs robust enough to assure that required reports are submitted timely and with accurate information.

**Condition:**

The Department was unable to demonstrate that authorized individuals reviewed and approved 6 out of 7 federal report types required to be submitted to USDOL for the UI program prior to its final electronic submission during fiscal year 2011.

Inconsistencies between information included in the supporting worksheets compared to federal reports submitted to USDOL were also noted. For example, documents supporting the *Overpayment Detection and Recovery Activities* (ETA 227) report did not agree to information included in the final report.

A similar finding was noted in the prior year single audit report.

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

**Cause:**

Management indicated review of reports is part of the reporting procedure; however, evidencing the review was not part of the procedure established during fiscal year 2011. Errors in reports appear to be due to problems with the systems generating the information.

**Effect:**

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program due to report filings containing inaccurate data.

**Questioned Costs:**

None

**Recommendation:**

The Department should strengthen its controls over reporting requirements to ensure all activity of the reported period is accurate, reliable, supported by applicable accounting and performance records, and presented in accordance with any other applicable UI requirements. For example, the Department should develop written policies and procedures that would include provisions for a documented review and approval of all federal reports required for the UI program and Department positions authorized to perform such review.

**Auditee Corrective Action Plan:**

Significant progress has been made since implementation of the new benefit payment system (NHUIS) in 2009 regarding reporting timeliness and accuracy. The department is unaware of any remaining late reporting issues.

The *Overpayment Detection and Recovery Activities* (ETA 227) report was specifically mentioned in the finding. NH is very close to being able to report that all Fiscal reports have been improved, tested and validated for accuracy, including those that apply to overpayments. The final few management reports that gather the data for the ETA 227 are in test and are expected to be deployed to production in February 2012.

NH continues to be actively engaged in review of reports for accuracy and keeping USDOL informed of any concerns. In general, the response from USDOL has been to submit the reports timely considering our ability to amend the reports. Reports are manually adjusted as necessary prior to submission to ensure accuracy.

The finding indicates that "the Department should develop written policies and procedures that would include provisions for a documented review and approval of all federal reports required for the UI program and Department positions authorized to perform such review."

## SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2013, 2012, 2011, AND 2010

Data Validation is designed to test the accuracy of reporting and all issues identified during the Data Validation process are added to the Harvest tracking system for defects and/or enhancements. New Hampshire actively participates in and submitted all Data Validation (DV) items due for VY 2011 though several did not pass. NHUIS is a transfer system from Ohio. Ohio had not implemented DV and thus DV was untested in this system. Challenges with reporting naturally led to challenges with DV. Fifteen (15) benefit populations failed VY 2010. Five (5) of those fifteen (15) were addressed and passed VY 2011. Additional populations are expected to pass in VY 2012. Evaluating a DV population and corresponding reports to determine the reasons for failure and implement correction is a time-consuming task. Devoting limited IT resources to this task is weighed against all other competing priorities.

It appears that the finding recommends documented review beyond Data Validation and the documented items in the Harvest tracking system. The Department will work with the appropriate stakeholders to issue such policy and maintain documentation of such review. The policy will establish reasonable parameters for review prior to submission, as it is not possible to validate every single data element and social security number that may be involved on every report submitted.

**Contact Person**:

Dianne Carpenter, Director of Unemployment Compensation Bureau

**Anticipated Completion Date:**

September 30, 2015

**Status as of March 2015:**

Partially Resolved. A similar finding was identified in the 2014 single audit report. See finding and corrective action plan at 2014-037.

## State Agency Listing In Numerical Order

## Appendix A-1

| AGENCY NUMBER | AGENCY NAME |
|---|---|
| 0205 | Governor's Commission on Disability |
| 0240 | Governor's Office of Energy and Planning |
| 0300 | Information Technology, Office of |
| 0400 | Legislative Branch |
| 0700 | Judicial Council |
| 1000 | Judicial Branch |
| 1200 | Adjutant General |
| 1300 | Pease Development Authority |
| 1400 | Administrative Services, Department of |
| 1800 | Agriculture, Markets and Food, Department of |
| 2000 | Justice, Department of |
| 2300 | Safety, Department of |
| 2400 | Insurance Department |
| 2500 | Highway Safety Agency |
| 2600 | Labor, Department of |
| 2700 | Employment Security, Department of |
| 2800 | Real Estate Commission |
| 3100 | Joint Board of Licensure |
| 3200 | Secretary of State |
| 3400 | Cultural Resources, Department of |
| 3500 | Resources and Economic Development, Department of |
| 3700 | Community Development Finance Authority |
| 3800 | State Treasury |
| 4300 | Veterans Home |
| 4400 | Environmental Services, Department of |
| 4600 | Corrections, Department of |
| 5000 | University of New Hampshire |
| 5600 | Education, Department of |
| 5900 | Retirement System |
| 6400 | Boards and Commissions, Various |
| 6600 | Veterans Council |
| 7200 | Bank Commission |
| 7300 | Public Employees Labor Relations Board |
| 7400 | Administrative Attached Boards |
| 7500 | Fish and Game, Department of |
| 7600 | Human Rights Commission |

## STATE AGENCY LISTING IN NUMERICAL ORDER

## APPENDIX A-1 (CONTINUED)

| AGENCY NUMBER | AGENCY NAME |
|---|---|
| 7700 | Liquor Commission |
| 8100 | Public Utilities Commission |
| 8300 | Lottery Commission |
| 8400 | Revenue Administration, Department of |
| 8600 | NH Racing and Charitable Gaming Commission |
| 8700 | Police Standards and Training Council |
| 8900 | Tax and Land Appeals, Board of |
| 9500 | Health and Human Services, Department of (all divisions combined) |
| 9600 | Transportation, Department of |
| 9700 | Developmental Disabilities Council |

## STATE AGENCY LISTING IN ALPHABETICAL ORDER

## APPENDIX A-2

| AGENCY NUMBER | AGENCY NAME |
|---|---|
| 1200 | Adjutant General |
| 7400 | Administrative Attached Boards |
| 1400 | Administrative Services, Department of |
| 1800 | Agriculture, Markets and Food, Department of |
| 7200 | Bank Commission |
| 6400 | Boards and Commissions, Various |
| 3700 | Community Development Finance Authority |
| 4600 | Corrections, Department of |
| 3400 | Cultural Resources, Department of |
| 9700 | Developmental Disabilities Council |
| 5600 | Education, Department of |
| 2700 | Employment Security, Department of |
| 4400 | Environmental Services, Department of |
| 7500 | Fish and Game, Department of |
| 0205 | Governor's Commission on Disability |
| 0240 | Governor's Office of Energy and Planning |
| 9500 | Health and Human Services, Department of (all divisions combined) |
| 2500 | Highway Safety Agency |
| 7600 | Human Rights Commission |
| 0300 | Information Technology, Office of |
| 2400 | Insurance Department |
| 3100 | Joint Board of Licensure |
| 1000 | Judicial Branch |
| 0700 | Judicial Council |
| 2000 | Justice, Department of |
| 2600 | Labor, Department of |
| 0400 | Legislative Branch |
| 7700 | Liquor Commission |
| 8300 | Lottery Commission |
| 8600 | NH Racing and Charitable Gaming Commission |
| 1300 | Pease Development Authority |
| 8700 | Police Standards and Training Council |
| 7300 | Public Employees Labor Relations Board |
| 8100 | Public Utilities Commission |
| 2800 | Real Estate Commission |
| 3500 | Resources and Economic Development, Department of |

## STATE AGENCY LISTING IN ALPHABETICAL ORDER

## APPENDIX A-2 (CONTINUED)

| AGENCY NUMBER | AGENCY NAME |
|---|---|
| 5900 | Retirement System |
| 8400 | Revenue Administration, Department of |
| 2300 | Safety, Department of |
| 3200 | Secretary of State |
| 3800 | State Treasury |
| 8900 | Tax and Land Appeals, Board of |
| 9600 | Transportation, Department of |
| 5000 | University of New Hampshire |
| 6600 | Veterans Council |
| 4300 | Veterans Home |