STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE
SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2016

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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
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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, 2016. 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 reporting requirements are set forth in the Code of Federal Regulations Title 2, part 200; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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)
- Appendices (section H)

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, 2016, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 30, 2017

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, 2016

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 the Code of Federal Regulations Title 2, part 200; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

This report is divided into sections: the State's fiscal year 2016 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 $6,671,253. 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 the Uniform Guidance, 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 2016, 21 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2016, the State administered 285 federal programs, with total federal expenditures of approximately $2.2 billion. Of those programs, Type A programs/clusters accounted for 91% of total federal expenditures, with the Medicaid program cluster accounting for 58% 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, 2016

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	TOTAL EXPENDITURES
Adjutant General	12.400	Military Construction, National Guard	18,803,994	
	12.401	National Guard Operations and Maintenance	15,881,742	34,685,736
		Other Programs		127,824
		Total Adjutant General		34,813,560
Administrative Services	Various	Child Nutrition Cluster	4,078,363	4,078,363
		Other Programs		2,248,150
		Total Administrative Services		6,326,513
Agriculture		Other Programs		768,434
Commission On Disability		Other Programs		113,977
Corrections		Other Programs		40,714
Cultural Resources		Other Programs		2,591,661
Development Disabilities Council		Other Programs		461,924
Education	Various	Child Nutrition Cluster	30,336,411	
	84.010	Title I, Grants to Local Educational Agencies	40,788,599	
	Various	Special Education Cluster	44,862,321	
	84.126	Vocational Rehabilitation Grants	8,375,049	
	84.367	Improving Teacher Quality	10,968,059	135,330,439
		Other Programs		47,485,293
		Total Education		182,815,732
Employment Security	17.225	Unemployment Insurance	80,240,791	80,240,791
		Other Programs		6,325,740
		Total Employment Security		86,566,531
Energy & Planning	93.568	Low-Income Energy Assistance	22,362,803	22,362,803
		Other Programs		1,944,038
		Total Energy & Planning		24,306,841
Environmental Services	66.458	Clean Water Revolving Fund	8,490,147	
	66.468	Drinking Water Revolving Fund	18,116,539	26,606,686
		Other Programs		14,009,032
		Total Environmental Services		40,615,718

Fish & Game Department	Various	Fish and Wildlife Cluster	6,801,722	6,801,722
		Other Programs		3,575,866
		Total Fish and Game		10,377,588
Health & Human Services	Various	SNAP Cluster	131,738,049	
	10.557	Supplemental Food Program	10,152,639	
	93.268	Immunization Cooperative Agreements	11,083,491	
	93.558	TANF	27,317,399	
	93.563	Child Support Enforcement	12,229,401	
	Various	CCDF Cluster	24,000,893	
	93.658	Foster Care	11,068,509	
	93.667	Social Services Block Grant	8,701,340	
	93.959	Block Grants For Prevention And Treatment Of Substance Abuse	8,425,285	
	Various	Medicaid Cluster	1,296,436,196	1,541,153,202
		Other Programs		64,063,421
		Total Health & Human Services		1,605,216,623
Human Rights Commission		Other Programs		147,550
Insurance		Other Programs		1,736,096
Judicial Branch		Other Programs		576,049
Justice		Other Programs		5,606,441
Public Utilities Commission		Other Programs		673,255
Resources & Economic Development		Other Programs		9,371,368
Safety	97.036	Disaster Grants-Public Assistance	10,087,040	10,087,040
		Other Programs		16,841,691
		Total Safety		26,928,731
Secretary Of State		Other Programs		698,766
Transportation	20.223	TIFIA	9,684,581	
	Various	Highway Planning And Construction Cluster	152,721,197	162,405,778
		Other Programs		11,291,776
		Total Transportation		173,697,554
Veterans Home	64.015	Veterans State Nursing Home Care	9,299,467	9,299,467
		TOTAL EXPENDITURES	**$ 2,033,052,027**	**$ 2,223,751,093**

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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, 2016, 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 Highway fund which represents 11.8% and 8.7% of the assets and revenues of the governmental funds, respectively. We also did not audit the financial statements of the Liquor Commission, and the Lottery, which represent 5.3% and 79.5% of the assets and revenues of the business-type activities, respectively. Additionally, we 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 13.1% and 13.2% 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 2.2% and 13.7% of the assets and revenues of the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports have 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, 2016, 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.

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, information about the New Hampshire Retirement System and information about the New Hampshire 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 Governmental Accounting Standards Board, 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 the 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 January 31, 2017 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

January 31, 2017

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, 2016. 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 and deferred inflows of resources at fiscal year ending June 30, 2016 by $2.5 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, $1.6 billion 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, before special items, increased by $274.5 million, or 13.8%, in fiscal year 2016, as shown in the Comparative Changes in Net Position table within this report. In addition, during fiscal year 2016, the State received $276.5 million in net environmental litigation settlements, resulting in a total increase in net position to $551.0 million, or 27.7%, from $1,989.4 million to $2,540.4 million. Also as reflected in this table, the net position of governmental activities, including the special item, increased by $473.5 million (86.2%), from $549.3 million to $1,022.7 million in fiscal year 2016. Net position of the business-type activities showed an increase of $77.5 million (5.4%) related to fiscal year 2016 activity, from $1,440.1 million to $1,517.6 million. Total expenses for the period were $275.8 million or 4.3% higher than fiscal year 2015 and total revenues were approximately $488.3 million or 7.6% higher than fiscal year 2015.

Non-Current Liabilities: The State's total non-current liabilities increased by $43.9 million or 1.3% during the current fiscal year, and is largely due to the increase in the State's aggregate net pension liability as of June 30, 2016 of $834.1 million as compared to $772.3 million as of June 30, 2015. Reported non-current debt, including bonds and notes, decreased $130.9 million or 8.8%, as a result of payments on outstanding debt. The State issued no new bonds but had a $9.7 million issuance of notes payable during fiscal year 2016, related to the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA), as described in Footnote 5 of the Notes to the Basic Financial Statements. Also, an increase in long-term liabilities of $107.2 million 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 2016, the State's governmental funds reported a combined balance of all funds of $893.2 million, an increase of $322.5 million over the prior year. Within the governmental funds, fund balances for the general fund and education fund increased by $396.0 million and $0.3 million, respectively. This increase was partially offset by a decrease of fund balance of $13.0 million in the highway fund and a decrease of $60.8 million in the combined non-major governmental funds. The increase in the general fund was driven by a $291.1 million increase in restricted fund balance, primarily due to the settlement of environmental litigation during fiscal year 2016 which resulted in $307.2 million in proceeds to the State, with $276.5 million recorded as restricted fund balance. In addition, the State recognized a $110.2 million increase in unassigned fund balance, as fiscal year 2016 ended with an unassigned fund balance of $181.5 million as compared to $71.3 million in the previous year. This balance includes a Revenue Stabilization balance of $93.0 million as compared to $22.3 million in the prior year, partially driven by $30.7 million of the environmental litigation settlement (ten percent) which was designated toward the State's "Rainy Day fund". The remaining increase in the general fund unassigned fund balance was due to higher unrestricted revenue as compared to the planned amount. The fund balance changes in the highway fund and the combined non-major governmental funds were caused by the timing of project expenditures in the respective funds, as well as the impact of no bond issuance in the current year in the non-major governmental fund balance.

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 30 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 32, 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 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 of the State of New Hampshire
Community Development Finance Authority,
Pease Development Authority, and
The 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 35 through 38.

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 36 and 38.

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 107 and 108.

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 40 through 43.

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 45-46 include the:

- **Pension Trust Funds** which account for the activity of the New Hampshire Retirement System and the New Hampshire 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 the New Hampshire Public Deposit Investment Pool (NHPDIP),
- **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 48 and 49.

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 51.

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, information about the New Hampshire Retirement System and the New Hampshire Judicial Retirement Plan, as required under GASBS 68 and a schedule of funding progress for the State's Other Postemployment Benefit Plan are presented.

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 $2.5 billion as of June 30, 2016 which was $551.0 million, or 27.7%, higher than the net position as of June 30, 2015, largely due to the environmental litigation settlement and increased unrestricted revenue received during fiscal year 2016.

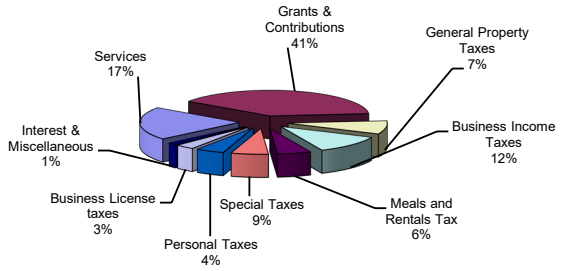
Comparative Net Position as of June 30, 2016 and 2015
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current assets	$1,623,638	$1,252,790	$826,708	$831,809	$2,450,346	$2,084,599
Capital assets	2,942,881	2,805,945	931,480	903,188	3,874,361	3,709,133
Other assets	62,891	59,957	373,276	350,631	436,167	410,588
Total assets	4,629,410	4,118,692	2,131,464	2,085,628	6,760,874	6,204,320
Total deferred outflows of resources	101,639	82,861	6,127	5,527	107,766	88,388
Noncurrent liabilities	2,933,476	2,856,960	476,326	508,999	3,409,802	3,365,959
Current liabilities	728,166	693,150	141,254	136,818	869,420	829,968
Total liabilities	3,661,642	3,550,110	617,580	645,817	4,279,222	4,195,927
Total deferred inflows of resources	46,666	102,162	2,387	5,231	49,053	107,393
Net Position:						
Net Investment in capital assets	2,206,073	2,036,066	502,720	485,461	2,708,793	2,521,527
Restricted	418,702	152,702	997,892	965,691	1,416,594	1,118,393
Unrestricted	(1,602,034)	(1,639,487)	17,012	(11,045)	(1,585,022)	(1,650,532)
Total net position	$1,022,741	$549,281	$1,517,624	$1,440,107	$2,540,365	$1,989,388

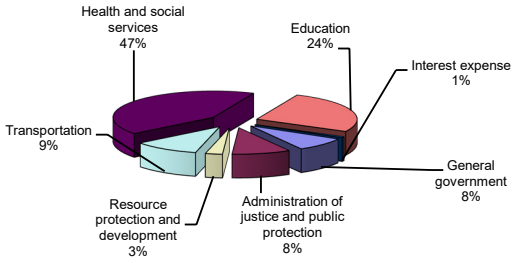
Comparative Changes in Net Position
For Fiscal Years Ending June 30, 2016 and 2015
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	$962,549	$1,023,256	$1,223,594	$1,173,923	$2,186,143	$2,197,179
Operating grants & contributions	2,137,529	1,895,332	26,374	46,986	2,163,903	1,942,318
Capital grants & contributions	169,643	197,400	87	74	169,730	197,474
General revenues:						
General Property Taxes	407,276	408,678			407,276	408,678
Business Income Taxes	693,691	564,562			693,691	564,562
Meals and Rentals Tax	302,473	280,792			302,473	280,792
Special taxes	521,574	370,000			521,574	370,000
Personal taxes	226,803	221,501			226,803	221,501
Business License taxes	182,582	181,278			182,582	181,278
Interest	17,015	15,172			17,015	15,172
Miscellaneous	43,884	47,846			43,884	47,846
Total revenues	5,665,019	5,205,817	1,250,055	1,220,983	6,915,074	6,426,800
Expenses						
General government	445,931	442,490			445,931	442,490
Administration of justice and public protection	469,263	528,840			469,263	528,840
Resource protection and development	156,899	156,795			156,899	156,795
Transportation	500,899	501,461			500,899	501,461
Health and social services	2,717,099	2,406,752			2,717,099	2,406,752
Education	1,358,215	1,346,431			1,358,215	1,346,431
Interest Expense	54,748	41,877			54,748	41,877
Turnpike System			88,091	116,372	88,091	116,372
Liquor Commission			531,064	497,091	531,064	497,091
Lottery Commission			229,488	210,254	229,488	210,254
SRF Fund			9,288	22,962	9,288	22,962
Unemployment Compensation			79,569	93,450	79,569	93,450
Joint Underwriting Association						
Total expenses	5,703,054	5,424,646	937,500	940,129	6,640,554	6,364,775
Increase/ (decrease) in net position before transfers and other items	(38,035)	(218,829)	312,555	280,854	274,520	62,025
Special Item - Environmental Litigation Settlements	276,457				276,457	
Transfers & Other Items	235,038	228,098	(235,038)	(228,098)		
Increase/ (decrease) in net position	473,460	9,269	77,517	52,756	550,977	62,025
Net position - July 1	549,281	1,331,645	1,440,107	1,426,138	1,989,388	2,757,783
Cumulative effect of implementation of GASBS 68		(791,633)		(38,787)		(830,420)
Net position, end of year	$1,022,741	$549,281	$1,517,624	$1,440,107	$2,540,365	$1,989,388

Governmental Activities - Revenues
Fiscal Year Ending June 30, 2016



Governmental Activities - Expenses
Fiscal Year Ending June 30, 2016



Net Investment in Capital Assets: The largest portion of the State's net position 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 net investment in capital assets increased $187.3 million from prior year. This increase was primarily the result of a net increase in capital assets of $165.2 million during the year. 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 Position: Another portion of the State's net position, $1,416.6 million, 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 position. Restricted net position increased $298.2 million from prior year primarily due to the $276.5 million environmental litigation settlement, as well as a $24.8 million increase in restricted for environmental loan programs in the SRF Fund as a result of higher loan activity in fiscal year 2016.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $1,585.0 million which is a decrease of $65.5 million from the deficit of $1,650.5 million from the previous year. The two largest components of the deficit are the net pension liability of $834.1 million and the net other postemployment benefit obligations of $1,069.0 million. Combined these non-current liabilities increased the deficit unrestricted net position by $169 million. However, this deficit increase was offset by the effect of increased government-wide revenues, as revenues exceeded expenses by $274.5 thousand in 2016, as compared to $62.0 thousand in 2015.

Changes in Net Position

The State's total net position increased by $274.5 million, or 13.8%, from current fiscal year activities, and $276.5 million from special items, for a total increase of $551.0 million, or 27.7%. Total revenues were $6,915.1 million, an increase of $488.3 million (7.6%) as compared to the prior year, and total reported expenses were $6,640.5 million, an increase of $275.8 million (4.3%) as compared to the prior year. The increase in revenues surpassed the increase in expenses, attributing to the increase in net position.

More than half of the State's revenue (65%) 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. In total, program revenues exceeded the prior fiscal year by $182.8 million and general revenues were higher by $305.5 million. General revenues were higher in fiscal year 2016 mainly as a result of business taxes outperforming revenue plan, in part due to changes in business tax rates as well as a tax amnesty program offered during fiscal year 2016. In addition, general revenues pertaining to the Medicaid Enhancement Tax drove much of the increase and are discussed in more detail below.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 47% and 24% of total expenses, respectively. Increases in the State's Health and Social Services expenses are discussed below.

Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2016 Compared to 2015
($ In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	(60.7)	-5.9%	49.7	4.2%	(11.0)	-0.5%
Operating grants & contributions	242.2	12.8%	(20.6)	-43.8%	221.6	11.4%
Capital grants & contributions	(27.8)	-14.1%			(27.8)	-14.1%
General revenues:						
General Property Taxes	(1.4)	-0.3%			(1.4)	-0.3%
Business Income taxes	129.1	22.9%			129.1	22.9%
Meals and Rental Taxes	21.7	7.7%			21.7	7.7%
Special taxes	151.6	41.0%			151.6	41.0%
Personal taxes	5.3	2.4%			5.3	2.4%
Business License taxes	1.3	0.7%			1.3	0.7%
Interest	1.8	11.8%			1.8	11.8%
Miscellaneous	(3.9)	-8.2%			(3.9)	-8.2%
Total revenues	459.2	8.8%	29.1	2.4%	488.3	7.6%
Expenses						
General government	3.4	0.8%			3.4	0.8%
Administration of justice and public protection	(59.5)	-11.3%			(59.5)	-11.3%
Resource protection and development	0.1	0.1%			0.1	0.1%
Transportation	(0.6)	-0.1%			(0.6)	-0.1%
Health and social services	310.3	12.9%			310.3	12.9%
Education	11.8	0.9%			11.8	0.9%
Interest Expense	12.9	30.9%			12.9	30.9%
Turnpike System			(28.2)	-24.2%	(28.2)	-24.2%
Liquor Commission			33.9	6.8%	33.9	6.8%
Lottery Commission			19.3	9.2%	19.3	9.2%
SRF Fund			(13.7)	-59.6%	(13.7)	-59.6%
Unemployment Compensation			(13.9)	-14.9%	(13.9)	-14.9%
Total expenses	278.4	5.1%	(2.6)	-0.3%	275.8	4.3%

Governmental Activities

Governmental activities decreased the State's net position by $38.0 million, before special item and transfers and other items. Revenues increased by $459.2 million or 8.8% from the prior year to total $5.7 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased $153.7 million or 4.9%, while taxes and other revenues increased $305.5 million or 14.6%. Reported expenses increased $278.4 million or 5.1%. The rise in program revenues was driven largely by an increase in federal grants, with the largest increase relating to federal funding for newly eligible Medicaid patients through the New Hampshire Health Protection Program. Also driving the increase in program revenues was an increase in the Medicaid Enhancement Tax, which is paid to the State by hospitals in New Hampshire and is based on certain revenues that those hospitals receive. The increase in general revenues was due largely to the improvement of economic conditions within the State, as these revenues consist of statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rentals, and interest and dividends tax. The increase in expenses is primarily due to corresponding spending associated with the increase in federal grant revenue, including the impact of a full year of the New Hampshire Health Protection Program.

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 above. 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 many of these significant program costs are not fully recovered from program revenues, these programs are supplemented from general revenues.

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 $312.6 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 $157.3 million, an increase of $5.2 million (3.4%) from the prior year, of which $3.2 million was transferred to the General Fund for the Alcohol Abuse Prevention/Treatment Fund. Transfers from the Liquor Commission to the General Fund for government operations totaled $152.7 million for fiscal year 2016. The Lottery Commission net income before transfers of $79.1 million was an increase of $1.9 million (2.5%) as compared to the prior year. The increases in net income at both the Liquor Commission and the Lottery Commission were mostly attributable to higher sales, largely due to continued opening of new Liquor stores and large big game jackpots. Additionally, the Turnpike System generated net income before transfers of $47.6 million, up from $11.5 million in the prior year. As compared to previous years, fiscal year 2015 income was low due to the recognition of a capital asset impairment expense in that year, which did not repeat in fiscal year 2016. The operations of the Unemployment Compensation fund yielded an increase in net position of $3.8 million, which is down from an increase of $6.5 million in the prior year, as a result of lower current year revenue brought on by a decrease in employer contribution rates. The operations of the State Revolving Fund yielded an increase in net position of $24.8 million, down from $33.6 in the prior year.

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 increased $322.5 million in fiscal year 2016. A deficiency of revenues under expenditures of $200.1 million was funded by $245.9 million of net transfers from Enterprise Funds and Other Financing Sources, as well as a special item in the general fund totaling $276.5 million, resulting in a net increase in Governmental Fund Balance.

General Fund

The general fund is the primary operating fund of the State. The total fund equity at June 30, 2016 is $732.2 million, which was an increase of $396.0 over the prior year balance of $336.2 million The increase in the general fund was partially driven by the settlement of environmental litigation during fiscal year 2016 which resulted in $307.2 million in proceeds to the State, with $276.5 million recorded as restricted fund balance and $30.7 million being deposited in the Revenue Stabilization ("Rainy Day fund"). Revenues in the general fund were $4,159.8 million, $425.1 million (11.4%) higher than the prior year, the increase largely the result of increases In Special Taxes and Federal Grants received during fiscal year 2016. Expenditures increased by $399.7 million (10.6%) to $4,168.5 million, which was primarily the result of the increase in Health and Social Services expenditures. Both revenue and expenditures were higher during fiscal year 2016 due to continued increases in health and social services' federally-funded programs implemented during the year, including the New Hampshire Health Protection Program.

The general fund unassigned fund balance, comprised of the Rainy Day fund amount of $93.0 million and other fund balance of $88.5 million ended the year at $181.5 million, an increase of $110.2 million from the prior year. Overall, the major factors driving the increase in total unassigned fund balance were the savings of fiscal year 2016 appropriations and, to an even greater extent, revenues coming in higher than plan. Within the unassigned fund balance, the Rainy Day fund increased $70.7 million over the prior year, as a result of legislation requiring a portion of the revenues over plan being transferred directly to the Rainy Day fund, as well as the addition of $30.7 million representing ten percent of judgments received from environmental litigation. As of June 30, 2016, $88.5 million of the budgetary surplus remains as general fund unassigned fund balance.

Education Fund

The education fund, before year-end transfers from other funds, had a deficit balance of $107.0 million. Approximately $79.2 million was transferred from the Enterprise funds and the general fund made a transfer from unassigned fund balance for the remaining $28.1 million to bring the education assigned fund balance to $4.6 million at June 30, 2016. The remaining fund balance within the education fund primarily represents the remaining fiscal year 2016 appropriations available for Charter Schools.

Highway Fund
The highway fund ended the year with a restricted fund balance of $129.8 million. As the highway fund revenues include revenues primarily restricted by the State Constitution or the Federal Government, the fund balance as of June 30, 2016 is classified as restricted. This is a decrease of approximately $12.9 million from the fiscal year 2015 restricted fund balance of $142.7 million, which was driven largely by the timing of project expenditures.

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 94.

General Fund:
The net increase from the original budget of $4,496.7 million to the final budget of $4,957.3 million is $460.6 million and represents additional appropriations issued and budget reductions recorded after adoption of the operating budget, primarily in the following categories of government: Health & Social Services ($285 million), Justice & Public Protection ($140 million) and Resource Protection and Development ($15 million). The budget increase is due largely to appropriations for federal programs not part of the adopted operating budget, including the New Hampshire Health Protection Program.

Actual total revenue was less than the final budget by approximately $344.9 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $419.6 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately $794.3 million lower than the final budget primarily within the Department of Health & Human Services, the Department of Education, and the Department of Justice. Again this variance was largely due to the timing of program expenditures.

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, 2016, amounted to $7.1 billion, with accumulated depreciation amounts of $3.2 billion, leaving a net book value of $3.9 billion, consistent with the 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 $2.3 billion, representing a $0.1 billion increase from the prior year.

The 2016-2017 capital budget authorizes nearly $271 million in capital appropriations, leveraging approximately $126 million in general fund bonding authority, with the balance from other sources. Some of the State's larger projects resulting in capitalized assets during fiscal year 2016 include:

- Construction in progress of approximately $10 million towards completion of a new, 224-bed women's prison ($38 million authorized in the fiscal year 2014-2015 capital budget, with another $14 million authorized in the fiscal year 2016-2017 budget).
- Building and land improvements of approximately $12 million relating to National Guard Armory locations as well as construction in progress of approximately $38.5 million relating to a newly constructed National Guard Training facility.
- Department of Safety expenditures totaling $4.2 million towards new Marine Patrol headquarters in the lakes region.
- Department of Transportation continued expenditures towards highways, bridges and other state infrastructure improvements.

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 and notes, 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 debt outstanding of $1,474.2 million. Of this amount, $899.4 million are general obligation bonds and notes payable, which are backed by the full faith and credit of the State, and $152.5 million are Federal Highway Grant Anticipation Bonds (GARVEE). The remainder of the State's debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

The State had no new bond issuances in fiscal year 2016. However, in May 2016, the State entered into the Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement to advance the construction of the remaining I-93 expansion projects. The loan proceeds are being used on four Federal Highway Administration (FHWA) approved projects included in the I-93 widening project, of which two were active in state fiscal year 2016. Total proceeds attributed to fiscal year 2016 expenditures were $9.7 million, representing a long-term note payable.

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 continuing to emerge from the recent recession buoyed by some strong positive economic indicators, but also with potential 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 coming out of this recession than many other states in the region and the nation. The State's preliminary October 2016 unemployment rate of 2.8% (seasonally adjusted) continues to be below the national average of 4.9%.

Fiscal Year 2017 Revenue Performance for the five months ended November 30, 2016:

Unrestricted revenue for the General and Education Funds received year to date through the month of November totaled $679.8 million, which was above plan by $23.2 million (3.5%) and above prior year by $18.5 million (2.8%).

Some of the strong performing revenue categories behind the positive variance, which are typically indicative of the overall economic climate, were:

- Business Taxes totaled $172.1 million through November, which was $25.2 million (17.2%) above plan and $6.9 million (4.2%) above prior year.
- Meals and Rentals Tax receipts through November were $4.5 million (3.0%) above plan and $7.3 million (5.0%) above prior year.
- Real Estate Transfer Taxes through November were $7.3 million (11.5%) above plan and $5.0 million (7.6%) above prior year.

The positive variances above were partially offset by:

- Tobacco Tax receipts through November of $93.5 million were $10.4 million (10.0%) below plan and $11.0 million (10.5%) below prior year.
- Collections for the Interest and Dividends Tax through November of $18.9 million were $2.1 million (10.0%) below plan and only $0.4 million (2.2%) above prior year.
- Collections for the Communications Services Tax for the month were $3.9 million, or $1.1 million (22.0%) below plan and $0.5 million (11.4%) below prior year. YTD collections of $20.7 million were $4.6 million (18.2%) below plan and $2.0 million (8.8%) below prior year. According to DRA, this revenue continues to experience a downward trend.

On an annual basis, the fiscal year 2017 General and Education Funds revenue Plan of $2,311.4 million is approximately $129.0 million lower (5%) than the actual traditional revenue realized in fiscal year 2016 ($2,457.6 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.

Basic Financial Statements

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2016
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$578,107	$74,590	$652,697	$89,792
Cash and Cash Equivalents-Restricted	357,003	608,995	965,998	19,908
Investments				172,612
Investments - Restricted		27,079	27,079	
Receivables (Net of Allowances for Uncollectibles)	603,064	16,046	619,110	42,028
Other Receivables-Restricted	46,641	41,978	88,619	
Internal Balances Receivable (Payable)	15,650	(15,650)		
Inventories	23,173	69,613	92,786	
Other Current Assets		84	84	11,370
Other Current Assets-Restricted		3,973	3,973	
Total Current Assets	1,623,638	826,708	2,450,346	335,710
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	13,796		13,796	56,503
Other Receivables-Restricted	2,190	369,228	371,418	
Investments	25,607		25,607	671,643
Investments-Restricted	21,298		21,298	
Other Assets				61,090
Other Assets-Restricted		4,048	4,048	
Capital Assets:				
Land & Land Improvements	679,117	106,098	785,215	30,952
Buildings & Building Improvements	812,510	49,056	861,566	1,915,414
Equipment & Computer Software	398,353	59,333	457,686	154,855
Construction in Progress	211,587	142,840	354,427	121,434
Infrastructure	3,678,096	962,900	4,640,996	
Less: Allowance for Depreciation	(2,836,782)	(388,747)	(3,225,529)	(955,251)
Net Capital Assets	2,942,881	931,480	3,874,361	1,267,404
Total Noncurrent Assets	3,005,772	1,304,756	4,310,528	2,056,640
Total Assets	4,629,410	2,131,464	6,760,874	2,392,350
DEFERRED OUTFLOWS OF RESOURCES	101,639	6,127	107,766	50,441

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2016
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	$419,764	$66,489	$486,253	$73,068
Accrued Payroll	41,309	3,509	44,818	6,320
Unearned Revenue	84,597	15,281	99,878	35,032
Unclaimed Property & Prizes	16,179	2,559	18,738	
General Obligation Bonds Payable	83,262	3,331	86,593	
Federal Highway Grant Anticipation Bond Payable	12,390		12,390	
Claims & Compensated Absences Payable	44,863	1,493	46,356	14,847
Other Liabilities	25,802	20,737	46,539	14,038
Revenue Bonds Payable		27,855	27,855	20,624
Total Current Liabilities	728,166	141,254	869,420	163,929
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	779,625	23,584	803,209	
Federal Highway Grant Anticipation Bond Payable	140,078		140,078	
Revenue Bonds Payable, Net		404,127	404,127	501,333
Notes Payable	9,685		9,685	
Claims & Compensated Absences Payable	90,255	7,017	97,272	34,049
Postemployment Benefits Payable	1,069,023		1,069,023	48,934
Derivative Instruments - Interest Rate Swaps				36,769
Net Pension Liability	795,345	38,721	834,066	64,590
Other Noncurrent Liabilities	49,465	2,877	52,342	73,826
Total Noncurrent Liabilities	2,933,476	476,326	3,409,802	759,501
Total Liabilities	3,661,642	617,580	4,279,222	923,430
DEFERRED INFLOWS OF RESOURCES	46,666	2,387	49,053	7,354
NET POSITION				
Net Investment in Capital Assets	2,206,073	502,720	2,708,793	800,775
Restricted for Debt Repayments		60,308	60,308	
Restricted for Uninsured Risks		3,003	3,003	
Restricted for Unemployment Benefits	10,307	294,866	305,173	
Restricted for Permanent Funds-Expendable	11,005		11,005	
Restricted for Permanent Funds-Non-Expendable	10,583		10,583	
Restricted for Prize Awards - MUSL & Tri-State		4,049	4,049	
Restricted for Environmental Remediation	348,284		348,284	
Restricted for Environmental Loan Programs	2,238	635,666	637,904	
Restricted for Health and Social Services	36,285		36,285	
Restricted Component Unit Net Position				465,716
Unrestricted Net Position (Deficit)	(1,602,034)	17,012	(1,585,022)	245,516
Total Net Position	$1,022,741	$1,517,624	$2,540,365	$1,512,007

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, 2016
(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	$445,931	$309,072	$31,294	
Administration of Justice & Public Protection	469,263	401,255	97,354	$26
Resource Protection and Development	156,899	89,441	42,130	
Transportation	500,899	16,257	11,403	169,617
Health and Social Services	2,717,099	144,354	1,767,447	
Education	1,358,215	2,170	187,901	
Interest Expense	54,748			
Total Governmental Activities	5,703,054	962,549	2,137,529	169,643
Business-type Activities:				
Turnpike System	88,091	135,588		87
Liquor Commission	531,064	688,374		
Lottery Commission	229,488	308,570		
SRF Fund	9,288	7,710	26,374	
Unemployment Compensation	79,569	83,352		
Total Business-type Activities	937,500	1,223,594	26,374	87
Total Primary Government	6,640,554	2,186,143	2,163,903	169,730
COMPONENT UNITS				
University System of New Hampshire	830,312	569,373	166,212	1,287
Non-Major Component Units	159,185	101,744	8,443	1,506
Total Component Units	$989,497	$671,117	$174,655	$2,793

General Revenues:
- General Property Taxes
- Business Income Taxes
- Meals and Rental Taxes
- Special Taxes
- Personal Taxes
- Business License Taxes
- Interest & Investment Income
- Miscellaneous
- Special Item - Environmental Litigation Settlements

Payments from State of New Hampshire
Transfers - Internal Activities
Total General Revenues and Transfers
Changes in Net Position
Net Position - July 1
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
$(105,565)		$(105,565)	
29,372		29,372	
(25,328)		(25,328)	
(303,622)		(303,622)	
(805,298)		(805,298)	
(1,168,144)		(1,168,144)	
(54,748)		(54,748)	
(2,433,333)		(2,433,333)	
	$47,584	47,584	
	157,310	157,310	
	79,082	79,082	
	24,796	24,796	
	3,783	3,783	
	312,555	312,555	
(2,433,333)	312,555	(2,120,778)	
			$(93,440)
			(47,492)
			$(140,932)
407,276		407,276	
693,691		693,691	
302,473		302,473	
521,574		521,574	
226,803		226,803	
182,582		182,582	
17,015		17,015	2,102
43,884		43,884	
276,457		276,457	
			132,617
235,038	(235,038)		
2,906,793	(235,038)	2,671,755	134,719
473,460	77,517	550,977	(6,213)
549,281	1,440,107	1,989,388	1,518,220
$1,022,741	$1,517,624	$2,540,365	$1,512,007

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, 2016
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$770,730	$111,431		$12,989	$895,150
Investments	25,607			21,298	46,905
Receivables (Net of Allowances for Uncollectibles)	486,316	65,198	$75,901	12,791	640,206
Due from Other Funds	23,168	227	222	4,468	28,085
Inventories	4,680	17,746		747	23,173
Loan Receivables	16,036				16,036
Total Assets	1,326,537	194,602	76,123	52,293	1,649,555
LIABILITIES					
Accounts Payable	338,631	52,057	2,346	24,848	417,882
Accrued Payroll	32,646	7,889		774	41,309
Due to Other Funds		515	11,920		12,435
Unearned Revenue	81,520	3,005			84,525
Unclaimed Property	16,179				16,179
Other Liabilities	11,219				11,219
Total Liabilities	480,195	63,466	14,266	25,622	583,549
DEFERRED INFLOWS OF RESOURCES	114,131	1,345	57,300		172,776
FUND BALANCES					
Nonspendable:					
Inventories	4,680	17,746		747	23,173
Permanent Fund Principal				10,583	10,583
Restricted	486,626	112,045		12,227	610,898
Committed	34,411			2,028	36,439
Assigned	24,962		4,557	1,086	30,605
Unassigned:					
Revenue Stabilization	93,043				93,043
Other	88,489				88,489
Total Fund Balances	732,211	129,791	4,557	26,671	893,230
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$1,326,537	$194,602	$76,123	$52,293	$1,649,555

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, 2016
(Expressed in Thousands)

Total Fund Balances for Governmental Funds		$893,230
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.		2,942,881
Revenues that will be collected after year-end and are not available to pay for the current period's expenditures are reported as deferred inflows of resources in the funds.		172,776
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.		26,262
Net deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds.		14,383
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers' Compensation	(113,925)	
Net Pension Liabilities, Net of Deferred Amounts	(754,755)	
Other Postemployment Benefits	(1,069,023)	
Pollution Remediation Obligation	(49,100)	
Capital Lease Obligations	(1,945)	
Bonds and Notes Payable	(1,025,040)	
Advance Construction Commitments to Municipalities	(587)	
Interest Payable and Other Liabilities	(12,416)	(3,026,791)
Net Position of Governmental Activities		$1,022,741

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, 2016
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$283		$406,394		$406,677
Special Taxes	1,211,621		308,601		1,520,222
Personal Taxes	132,345		94,658		227,003
Business License Taxes	22,580	$182,582			205,162
Non-Business License Taxes	123,726	83,544		$10,325	217,595
Fees	161,386	24,171		2,408	187,965
Fines, Penalties and Interest	7,875	7,227	1	143	15,246
Grants from Federal Government	1,948,675	161,148		47,570	2,157,393
Grants from Private and Local Sources	163,872	2,940		220	167,032
Rents and Leases		149			149
Interest, Premiums and Discounts	17,949			441	18,390
Sale of Commodities	13,226	7,716		79	21,021
Sale of Service	24,529	4,787			29,316
Assessments	62,847				62,847
Grants from Other Agencies	60,709	7,580		3,924	72,213
Miscellaneous	208,194	2,552	40,000	3,624	254,370
Total Revenues	4,159,817	484,396	849,654	68,734	5,562,601
EXPENDITURES					
Current:					
General Government	340,644				340,644
Administration of Justice and Public Protection	444,766	58,776		158	503,700
Resource Protection and Development	118,600	1,628		27,022	147,250
Transportation	9,428	297,949			307,377
Health and Social Services	2,720,293			708	2,721,001
Education	400,743		956,636		1,357,379
Debt Service	116,929	31,830		393	149,152
Capital Outlay	17,064	115,679		103,411	236,154
Total Expenditures	4,168,467	505,862	956,636	131,692	5,762,657
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,650)	(21,466)	(106,982)	(62,958)	(200,056)
OTHER FINANCING SOURCES (USES)					
Transfers In	776		28,052	2,166	30,994
Transfers in from Enterprise Funds	155,853		79,185		235,038
Transfers Out	(28,739)	(2,255)			(30,994)
Capital Lease Acquisition	778				778
Installments on Sale of Assets		414			414
Note Issuance		9,685			9,685
Total Other Financing Sources	128,668	7,844	107,237	2,166	245,915
SPECIAL ITEM - ENVIRONMENTAL LITIGATION SETTLEMENTS	276,457				276,457
Net Change in Fund Balances	396,475	(13,622)	255	(60,792)	322,316
Fund Balances - July 1	336,201	142,741	4,302	87,433	570,677
Change in Inventory	(465)	672		30	237
Fund Balances - June 30	$732,211	$129,791	$4,557	$26,671	$893,230

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, 2016
(Expressed in Thousands)

Net Change in Fund Balances for Total Governmental Funds, including Change in Inventory		$322,553
Amounts reported for governmental activities in the Statement of Activities are different because:		
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		1,643
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	21,575	
Buildings & Building Improvements	18,489	
Equipment & Computer Software	32,172	
Construction in Progress	(3,461)	
Infrastructure	153,375	
Accumulated Depreciation, Net of Disposals	(85,214)	136,936
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.		20
Proceeds of bonds and notes provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and note 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 repayments exceeded proceeds.		
Note Proceeds Received	(9,685)	
Repayment of Bond/Note Principal & Interest	101,893	
Accretion of Bonds Payable	(199)	
Accrued Interest & Amortization	10,716	102,725
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. These amounts represent changes in:		
Compensated Absences, Workers' Compensation	(3,958)	
Other Postemployment Benefits	(107,206)	
Net Pension Liability, Net of Deferred Amounts	16,890	
Pollution Remediation Obligation	798	
Capital Lease Obligation	(348)	
Advance Construction Commitments to Municipalities	761	
Litigation and Other Obligation	2,646	(90,417)
Change in Net Position of Governmental Activities		$473,460

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

Proprietary Fund Financial Statements

Enterprise Funds:

Turnpike System: *The Turnpike System presently consists of 89 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 658 total lane miles, 170 bridges, 49 interchanges, 84 toll lanes, and 25 facilities. Since beginning operations in 1950, the Turnpike System has contributed to the development of the New Hampshire economy. It has also been a major factor in the growth of the tourist industry in the State. The Turnpike System consists of three limited access highways: the Blue Star Turnpike (I-95) and the Spaulding Turnpike, (which are collectively referred to as the Eastern Turnpike), and the Central Turnpike. 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 Commission 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 Agency 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, 2016
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
ASSETS	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Internal Service Fund
Current Assets:							
Cash and Cash Equivalents	$71,987		$2,603			$74,590	$39,960
Cash and Cash Equivalents-Restricted	55,380		48	$259,220	$294,347	608,995	
Investments - Restricted	27,079					27,079	
Receivables (Net of Allowances for Uncollectibles)	7,194	$6,499	2,353			16,046	9,449
Other Receivables-Restricted				23,846	18,132	41,978	
Due from Other Funds	609		511			1,120	
Inventories	1,580	66,940	1,093			69,613	
Other Current Assets	35		49			84	
Other Current Assets-Restricted				3,973		3,973	
Total Current Assets	163,864	73,439	6,657	287,039	312,479	843,478	49,409
Noncurrent Assets:							
Other Receivables-Restricted				369,228		369,228	
Capital Assets:							
Land & Land Improvements	103,407	2,691				106,098	
Buildings & Building Improvements	14,459	34,597				49,056	
Equipment & Computer Software	50,227	8,454	652			59,333	
Construction in Progress	141,697	1,143				142,840	
Infrastructure	962,900					962,900	
Less: Allowance for Depreciation & Amortization	(370,560)	(17,746)	(441)			(388,747)	
Net Capital Assets	902,130	29,139	211			931,480	
Other Assets - Restricted			4,048			4,048	
Total Noncurrent Assets	902,130	29,139	4,259	369,228		1,304,756	
Total Assets	1,065,994	102,578	10,916	656,267	312,479	2,148,234	49,409
DEFERRED OUTFLOWS OF RESOURCES	2,938	2,255	404	530		6,127	
LIABILITIES							
Current Liabilities:							
Accounts Payable	8,057	55,096	2,102	1,234		66,489	1,882
Accrued Payroll	920	2,016	278	295		3,509	
Due to Other Funds	242	11,718	222	1,485	3,103	16,770	
Unearned Revenue	11,771	2,293	1,217			15,281	72
Unclaimed Prizes			2,559			2,559	
General Obligation Bonds Payable		1,056		2,275		3,331	
Revenue Bonds Payable-Current	27,855					27,855	
Accrued Interest Payable	5,677	118				5,795	
Claims & Compensated Absences Payable	293	905	125	170		1,493	21,193
Other Liabilities	321	44	48	19	14,510	14,942	
Total Current Liabilities	55,136	73,246	6,551	5,478	17,613	158,024	23,147
Noncurrent Liabilities:							
General Obligation Bonds Payable		13,724		9,860		23,584	
Revenue Bonds Payable	404,127					404,127	
Note Payable to Highway Fund							
Claims & Compensated Absences Payable	1,943	3,897	496	681		7,017	
Net Pension Liabilities	10,100	20,141	3,675	4,805		38,721	
Other Noncurrent Liabilities	2,568	309				2,877	
Total Noncurrent Liabilities	418,738	38,071	4,171	15,346		476,326	
Total Liabilities	473,874	111,317	10,722	20,824	17,613	634,350	23,147
DEFERRED INFLOWS OF RESOURCES	607	1,245	228	307		2,387	
NET POSITION							
Net Investment in Capital Assets	491,107	11,402	211			502,720	
Restricted for Debt Repayments	60,308					60,308	
Restricted for Uninsured Risks	3,003					3,003	
Restricted for Prize Awards - MUSL & Tri-State			4,049			4,049	
Restricted for Environmental Loans				625,137		625,137	
Restricted for SRF Programs				10,529		10,529	
Restricted for Unemployment Benefits					294,866	294,866	
Unrestricted Net Position (Deficit)	40,033	(19,131)	(3,890)			17,012	26,262
Total Net Position	$594,451	$(7,729)	$370	$635,666	$294,866	$1,517,624	$26,262

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, 2016
(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	
OPERATING REVENUES							
Charges for Sales and Services		$665,701	$308,528	$7,324	$76,830	$1,058,383	$276,133
Toll Revenue Pledged for Repaying Revenue Bonds	$130,714					130,714	
Total Operating Revenue	130,714	665,701	308,528	7,324	76,830	1,189,097	276,133
OPERATING EXPENSES							
Cost of Sales and Services		470,704				470,704	
Lottery Prize Awards			219,283			219,283	
Unemployment Insurance Benefits					79,569	79,569	
Principal Forgiveness				3,955		3,955	
Insurance Claims							262,846
Administration	50,546	57,924	10,133	7,928		126,531	13,267
Depreciation	22,143	1,789	72			24,004	
Total Operating Expenses	72,689	530,417	229,488	11,883	79,569	924,046	276,113
Operating Income (Loss)	58,025	135,284	79,040	(4,559)	(2,739)	265,051	20
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,528				4,528	
Beer Taxes		12,850				12,850	
Investment Income	998		42	386	6,522	7,948	
Miscellaneous	3,876	5,295		2,881		12,052	
Federal Grant Revenue				26,374		26,374	
Interest on Bonds	(15,402)	(647)		(286)		(16,335)	
Total Nonoperating Revenues (Expenses)	(10,528)	22,026	42	29,355	6,522	47,417	
Income Before Capital Grant Contributions	47,497	157,310	79,082	24,796	3,783	312,468	20
Capital Contributions and Grants	87					87	
Income Before Transfers	47,584	157,310	79,082	24,796	3,783	312,555	20
Transfers To Governmental Funds		(155,853)	(79,185)			(235,038)	
Change in Net Position	47,584	1,457	(103)	24,796	3,783	77,517	20
Net Position (Deficit)- July 1	546,867	(9,186)	473	610,870	291,083	1,440,107	26,242
Net Position (Deficit) - June 30	$594,451	$(7,729)	$370	$635,666	$294,866	$1,517,624	$26,262

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, 2016
(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
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Federal and Local Agencies				$5,288	$966	$6,254	
Receipts from Customers	$131,971	$666,985	$163,747		82,978	1,045,681	$50,291
Receipts from Interfund Charges							222,458
Payments to Employees	(14,754)	(31,657)	(4,878)			(51,289)	
Payments to Suppliers	(37,912)	(495,719)	(11,712)	(7,106)		(552,449)	(13,761)
Payments to Prize Winners			(66,418)			(66,418)	
Payments for Insurance Claims					(83,333)	(83,333)	(264,054)
Payments for Interfund Services		(8,924)		433		(8,491)	
Net Cash Provided by (Used for) Operating Activities	79,305	130,685	80,739	(1,385)	611	289,955	(5,066)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(154,581)	(79,067)			(233,648)	
Receipts from Federal Agencies				26,374		26,374	
Other Contributions				2,881		2,881	
Temporary Loan from Other Funds		7,475				7,475	
Interest Paid on Bonds				(286)		(286)	
Principal Paid on Bonds				(2,275)		(2,275)	
Transfer: Alcohol Abuse Prevention/Treatment Fund		(3,152)				(3,152)	
Proceeds from Collection of Licenses and Beer Tax		17,379				17,379	
Other Income		1,395				1,395	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities		(131,484)	(79,067)	26,694		(183,857)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal, Sale and Construction of Capital Assets	(43,673)	1,763	(73)			(41,983)	
Capital Grant Reimbursement							
Interest Paid on Bonds	(21,679)	(657)				(22,336)	
Principal Paid on Bonds	(19,455)	(1,056)				(20,511)	
Principal Paid on Notes	(414)					(414)	
Payments for Underwriter Discount/Premium	(85)					(85)	
Receipts from Federal Agencies	2,826					2,826	
Contributions from Other Funds							
Net Cash Provided by (Used for) Capital and Related Financing Activities	(82,480)	50	(73)			(82,503)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	42,811					42,811	
Receipts from Borrowers				34,306		34,306	
Payments to Borrowers				(58,648)		(58,648)	
Interest and Other Income	906		41	386	6,522	7,855	
Net Cash Provided by (Used for) Investing Activities	43,717		41	(23,956)	6,522	26,324	
Net Increase in Cash & Cash Equivalents	40,542	(749)	1,640	1,353	7,133	49,919	(5,066)
Cash and Cash Equivalents - July 1	86,825	749	1,011	257,867	287,214	633,666	45,026
Cash and Cash Equivalents - June 30	$127,367	$-	$2,651	$259,220	$294,347	$683,585	$39,960

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, 2016
(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
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	$58,025	$135,284	$79,040	$(4,559)	$(2,739)	$265,051	$20
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation	22,143	1,789	72			24,004	
Capitalized Loan Interest				(225)		(225)	
Principal Forgiveness				3,955		3,955	
Interest Income on Loans				(2,409)		(2,409)	
Miscellaneous Income/(Expense)	1,015					1,015	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	(1,657)	1,170	(1,034)	605	7,114	6,198	(3,456)
Change in Inventories	239	(4,038)	(559)			(4,358)	
Change in Other Current Assets			4			4	
Change in Restricted Deposits-MUSL			152			152	
Change in Accounts Payable and Other Accruals	(1,478)	(2,986)	1,148	1,328	(3,764)	(5,752)	266
Change in Claims Payable			1,811			1,811	(1,968)
Change in Unearned Revenue	1,315	(3)	202			1,514	72
Change in Net Pension Liability, Net of Deferred Amounts	(297)	(531)	(97)	(80)		(1,005)	
Net Cash Provided by (Used In) Operating Activities	$79,305	$130,685	$80,739	$(1,385)	$611	$289,955	$(5,066)
Turnpike Non-Cash Capital and Related Financing Activities:							
Capital Contributions	$87						
Federal Operating Contributions	$10						
Liquor Non-Cash Capital and Related Financing Activities:							
During fiscal year 2016, the State's Capital Projects Fund paid for Capital Assets		$2,983					
SRF Non-Cash Investing Activities:							
Principal Forgiveness				$3,955			

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. NHRS is a component unit of the State.*

New Hampshire Judicial Retirement Plan *The New Hampshire Judicial Retirement Plan (NHJRP) 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's investment detail and audited financial statements can be obtained by visiting www.nhpdip.com or contacting the Client Services Team at 1-844-4NH-PDIP.*

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 judgments 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, 2016
(Expressed in Thousands)

	Pension Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund	Agency Funds
ASSETS				
Cash and Cash Equivalents	$7,795	$3,500	$8,495	$13,430
Receivables:				
Due from Employers	46,881			
Due from Group I Teacher OPEB Plan	4,483			
Due from Plan Members	22,429			
Due from Brokers for Securities Sold	29,961			
Interest and Dividends	18,003		212	
Other	1,715			
Total Receivables	123,472		212	
Investments:				
Cash & Cash Equivalents	140,787			
Certificates of Deposit			74,608	
Repurchase Agreements			13,063	
U.S. Government Obligations			6,037	
Equity Investments	3,718,853			
Fixed Income Investments	1,772,643			
Commercial Real Estate	787,937			
Commercial Paper			20,030	
Alternative Investments	997,782			
Other Investments		3,212	1,840	272
Total Investments	7,418,002	3,212	115,578	272
Other Assets	189			
Total Assets	7,549,458	6,712	124,285	13,702
LIABILITIES				
Management Fees and Other Payables	8,472		386	
Due to Group II Police & Fire OPEB Plan	1,478			
Due to Group I Political Subdivision OPEB Plan	2,802			
Due to Group I State Employee OPEB Plan	203			
Due to Brokers for Securities Purchased	28,652			
Custodial Funds Payable				13,702
Total Liabilities	41,607		386	13,702
NET POSITION				
Net Position Restricted for Pension and Other Post Employment Benefits (OPEB)	7,507,851			
Net Position Held in Trust for Benefits & Other Purposes		6,712	123,899	
RECONCILIATION OF NET POSITION HELD IN TRUST:				
Employees' Pension Benefits	7,481,224			
Employees' Postemployment Healthcare Benefits	26,627			
Net Position for Pool Participants in External Investment Pool			123,899	
Other Purposes		6,712		
Net Position Restricted for Pension and Other Post Employment Benefits (OPEB)	7,507,851			
Net Position Held in Trust for Benefits & Other Purposes		$6,712	$123,899	

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, 2016
(Expressed in Thousands)

	Pension Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund
ADDITIONS			
Contributions:			
Employer	$421,126		
Plan Members	208,613		
From Participants		$31,225	$162,605
Total Contributions	629,739	31,225	162,605
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	(74,479)		
Interest Income	55,225	106	615
Dividends	74,165		
Alternative Investment Income	22,576		
Other	8,361	235	13
Gross Income from Investing Activities	85,848	341	628
Less Investment Activity Expenses:			
Investment Management Fees	22,067		235
Custodial Fees	660		
Investment Advisor Fees	735		
Investment Administrative Expense	610		
Total Investment Activity Expenses	24,072		235
Total Net Income from Investing Activities	61,776	341	393
Interest Income	778		
Total Additions	692,293	31,566	162,998
DEDUCTIONS			
Benefits/Distributions to Participants	727,859	31,126	
Refunds of Contributions	24,233		
Administrative Expense	7,286		
Professional Fees	952		
Interest Expense	778		
Other	314	2,920	160,914
Total Deductions	761,422	34,046	160,914
Change in Net Position	(69,129)	(2,480)	2,084
NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Position - July 1	7,576,980	9,192	121,815
Net Position - June 30	$7,507,851	$6,712	$123,899

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
JUNE 30, 2016
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$69,154	$20,638	$89,792
Cash and Cash Equivalents - Restricted		19,908	19,908
Operating Investments	158,413	14,199	172,612
Accounts Receivable	20,288	2,364	22,652
Other Receivables	3,471	2,553	6,024
Notes Receivable - Current Portion	3,507	9,845	13,352
Prepaid Expenses & Other	8,758	2,612	11,370
Total Current Assets	263,591	72,119	335,710
Noncurrent Assets:			
Investments	655,309	16,334	671,643
Notes & Other Receivables	27,315	29,188	56,503
Other Assets	56,583	4,507	61,090
Capital Assets:			
Land & Land Improvements	15,780	15,172	30,952
Building & Building Improvements	1,593,091	322,323	1,915,414
Equipment	123,087	31,768	154,855
Construction in Progress	118,357	3,077	121,434
Less: Accumulated Depreciation	(773,264)	(181,987)	(955,251)
Net Capital Assets	1,077,051	190,353	1,267,404
Total Noncurrent Assets	1,816,258	240,382	2,056,640
Total Assets	2,079,849	312,501	2,392,350
DEFERRED OUTFLOWS OF RESOURCES	42,673	7,768	50,441
LIABILITIES			
Current Liabilities:			
Accounts Payable	69,425	3,643	73,068
Accrued Salaries and Wages		6,320	6,320
Accrued Employee Benefits - Current	14,826	21	14,847
Other Payables & Accrued Expenses		6,998	6,998
Other Liabilities	6,745	295	7,040
Deposits and Unearned Revenues	32,686	2,346	35,032
Long Term Debt - Current Portion	17,666	2,958	20,624
Total Current Liabilities	141,348	22,581	163,929
Noncurrent Liabilities:			
Revenue Bonds Payable	501,333		501,333
Accrued Employee Benefits	34,049		34,049
Postemployment Medical Benefits	48,934		48,934
Derivative Instruments - Interest Rate Swaps	36,769		36,769
Net Pension Liability		64,590	64,590
Other Long Term Debt	18,889	54,937	73,826
Total Noncurrent Liabilities	639,974	119,527	759,501
Total Liabilities	781,322	142,108	923,430
DEFERRED INFLOWS OF RESOURCES		7,354	7,354
NET POSITION			
Net investment in Capital Assets	630,442	170,333	800,775
Restricted:			
Nonexpendable	256,513		256,513
Expendable	148,681	60,522	209,203
Unrestricted Net Position (Deficit)	305,564	(60,048)	245,516
Total Net Position	$1,341,200	$170,807	$1,512,007

The notes to the basic financial 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, 2016
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	$830,312	$159,185	$989,497
Program Revenues:			
Charges for Services:			
Tuition & Fees	491,133	67,003	558,136
Student Financial Aid	(162,503)	(1,097)	(163,600)
Sales, Services, & Other Revenue	240,743	35,838	276,581
Operating Grants & Contributions	166,212	8,443	174,655
Capital Grants & Contributions	1,287	1,506	2,793
Total Program Revenues	736,872	111,693	848,565
Net Expenses	(93,440)	(47,492)	(140,932)
Interest & Investment Income	1,894	208	2,102
Payments from State of New Hampshire	82,389	50,228	132,617
Change in Net Position	(9,157)	2,944	(6,213)
Net Position - July 1	1,350,357	167,863	1,518,220
Net Position - June 30	$1,341,200	$170,807	$1,512,007

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

Notes to the Basic Financial Statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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 5 Chenell Drive Suite 301, Concord, NH 03301.

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, 2015, 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, 2016, 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, 2015, the debt retained by the State for CCSNH assets was approximately $24.3 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 include the following:

New Hampshire Retirement System - The New Hampshire Retirement System (NHRS) 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 (the "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.

NHRS 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 NHRS 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 NHRS.

NHRS 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 NHRS.

New Hampshire Judicial Retirement Plan – The New Hampshire Judicial Retirement Plan (NHJRP) 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.

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

NHJRP is deemed to be fiscally dependent on the State because of the State's contributions toward the NHJRP 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 NHRS and NHJRP 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, 2016, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2015.

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 valued at cost, which approximates fair value. Cash and cash equivalents primarily represent investments in Unemployment Compensation external pooled short-term investments managed by the State's custodian. The fund provides daily liquidity.

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. The State discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is as follows:

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the State has the ability to access at the measurement date. Most of the State's directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the State's holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments. The State had no level 3 investments as of June 30, 2016, however, some investments held by its Fiduciary Component Unit (NHRS) and Major Component Unit (USNH) are reported at net asset value (NAV).

In determining fair value, the State utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

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 occurred 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 Revolving Fund (SRF) for wastewater treatment facilities (CWSRF) and safe drinking water systems (DWSRF). Loans are funded by federal grants from programs by the U.S. Environmental Protection Agency, with federal grants and partially matching state funds. Loan funds are disbursed to borrowers on a cost reimbursement basis, and interest begins accruing when funds are disbursed. After construction is completed, the borrower can elect to add the construction period interest to the loan amount, or they can pay it in total with the first loan repayment. Loans are typically repaid over periods of five, ten, fifteen or twenty years, and repayment of the loans must begin within one year of construction completion. 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. There is no provision for uncollectible accounts, as all repayments are current, and management believes all loans will be repaid according to the loan terms. Loan amounts classified currently represent those loan amounts expected to be satisfied within the forthcoming fiscal year.

Under federal regulations, a portion of each federal grant award is required to be provided as additional subsidy to borrowers. This additional subsidy comes in the form of principal forgiveness and ranges from 12% for CWSRF federal loans to a range of between 20-30% for DWSRF federal loans. Borrowers must meet selected criteria to be eligible for the additional subsidy. Principal forgiveness eligibility and amount is calculated when the loan is finalized and goes into repayment status. For CWSRF loans, principal forgiveness is recognized with the first loan repayment. For DWSRF loans, principal forgiveness is recognized on a payment by payment basis. If a borrower defaults on a loan, the total amount unpaid is deemed owed.

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 (FIFO) 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 acquisition value.

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, 2016.

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 last in first out (LIFO) 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. NET PENSION LIABILITY

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the NHRS and the NHJRP, and additions to/deductions from their respective fiduciary net positions have been determined on the same basis as they are reported by NHRS and NHJRP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

M. 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 referred to as the 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.

N. 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.

O. 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 and notes. 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.

P. 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 Position, except for the amounts due between governmental and business-type activities.

Q. 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.

R. 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 and permanent 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 expenditure class level within each accounting unit within each department.

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.

S. 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.

T. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2016, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 72, *Fair Value Measurement and Application,* (GASBS 72) establishes a definition of an investment and requires that all investments be measured at fair value, with certain exceptions. GASBS 72 provides guidance for determining fair value measurement for financial reporting purposes, as well as disclosures related to fair value measurements. GASBS 72 also changes the measurement guidance for donated capital assets and works of art, historical treasures, and capital assets received in a service concession agreement. Although adoption of GASBS 72 resulted in enhanced disclosures for the State, it did not materially change the measurement of the State's assets and liabilities. See note 2 Cash, Cash Equivalents and Investments for additional information.

GASBS No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* (GASBS 73) which clarifies the application of certain provisions of Statements 67 and 68. GASBS 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are provided to employees of state and local government employers and are not within the scope of GASB Statement No. 68, and establishes requirements for governments that hold assets accumulated for purposes of providing pensions through defined benefit pension plans that are not administered as trusts. Adoption of GASBS 73 did not require modification of the financial statements.

GASBS No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* (GASBS 76) sets forth what constitutes GAAP for all state and local governmental entities and establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Adoption of GASBS 76 did not require modification of the financial statements.

GASBS No. 79, *Certain External Investment Pools and Pool Participants,* (GASBS 79) establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure all of their investments at amortized cost, and for state and local governments that participate in such qualifying external investment pools. This standard was adopted by the New Hampshire Public Deposit Investment Pool, in which the State participates; however, adoption of GASBS 79 did not require modification of the financial statements.

U. 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.

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 statements of financial position under the captions "Cash and Cash Equivalents" and "Investments".

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 credit 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) are 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.

The table below details the State's bank balances at June 30, 2016 exposed to custodial credit risk for cash and cash equivalents (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	$958	$744,393			$9,510	$42
Money Market		46,723	$494,691			8,896
Savings Accounts	250		44,483		2,473	
CDs	2,978	5,503	6,298			
Total	$4,186	$796,619	$545,472		$11,983	$8,938

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, and 383-B:3-303). Additionally, investment guidelines exist for operating funds as well as trust and custodial funds. All investments will be denominated in U.S. dollars.

New Hampshire Public Deposit Investment Pool (NHPDIP):
The NHPDIP (the "pool") 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. As of June 30, 2016, the State held an investment position in NHPDIP, which is reported as the State's share of the overall pool and not by investment type based on the underlying investment securities held by the pool. 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. In accordance with GASBS 79, the pool's portfolio securities are valued at amortized cost, which approximates fair value. NHPDIP's investment detail and audited financial statements can be obtained by visiting www.nhpdip.com or contacting the Client Services Team at 1-844-4NH-PDIP.

	(Fair values in thousands)	
State Treasury Investments by Type	**Governmental & Business-Type**	**Fiduciary**
Investments in Non-Participating Interest Earning Investment Contracts (CD's)	$14,779	$252
Equity Securities	19,509	
Corporate Bonds	1,175	
US Government Obligations	22,926	
Municipal Bonds	81	
Money Market Mutual Funds	8,429	
Equity Open Ended Mutual Funds	10,458	949
Fixed Income Open Ended Mutual Funds	4,870	2,239
NH Public Deposit Investment Pool (Internal investment held by State and NHH patient agency fund)	10,014	44
External Portion of NH Public Deposit Investment Pool		115,578
Totals	**$92,241**	**$119,062**
Less Investments Not Measured at Fair Value		
Investments in Non-Participating Interest Earning Investment Contracts (CD's)	(14,779)	(252)
NH Public Deposit Investment Pool (Internal investment held by State and NHH patient agency fund)	(10,014)	(44)
External Portion of NH Public Deposit Investment Pool		(115,578)
Investments Measured at Fair Value	**$67,448**	**$3,188**

Fair Value Measurements of Investments: In accordance with GASBS 72, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the State categorizes the fair value measurements of its investments within the fair value hierarchy established by U.S. GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the State has the ability to access at the measurement date. Most of the State's directly held marketable equity securities would be examples of Level 1 investments.
- Level 2 inputs are other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.
- Level 3 inputs are significant unobservable inputs. The State held no Level 3 investments as of June 30, 2016.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the State and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

The following table summarizes the State's investments measured at fair value, by type, as of June 30, 2016 (expressed in thousands):

	Investments Classified in the Fair Value Hierarchy		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Governmental & Business-Type Activities			
U.S. Government Obligations & Municipal Bonds (1)		$23,007	$23,007
Equity Securities	$19,509		19,509
Corporate Bonds		1,175	1,175
Money Market Mutual Funds	8,429		8,429
Equity Open Ended Mutual Funds	10,458		10,458
Fixed Income Open Ended Mutual Funds	4,870		4,870
Total Governmental & Business-Type activities	43,266	24,182	67,448
Fiduciary Activities			
Equity Open Ended Mutual Funds	949		949
Fixed Income Open Ended Mutual Funds	2,239		2,239
Total Fiduciary Activities	3,188		3,188
Total Investments	$46,454	$24,182	$70,636

Notes to the table above:

(1) Rates range from 0.5% to 5.25% and maturities from fiscal year 2017 to 2029.

The table below reconciles the cash, cash equivalents, 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	$652,697	$25,607	$965,998	$48,377	$1,692,679
Per Statement of Fiduciary Net Position	Private Purpose	3,500	3,212			6,712
	Investment Trust	8,495	115,578			124,073
	Agency Funds	13,430	272			13,702
	Total per Financial Statements	**$678,122**	**$144,669**	**$965,998**	**$48,377**	**$1,837,166**

	Per Footnote
Carrying Amount of Deposits	1,625,863
Treasury Investments	211,303
Total Per Footnote	**$1,837,166**

Equity Securities and Mutual Funds:

The State's policy relative to operating funds and mitigation of concentration and credit risk does not permit investing in equity securities. 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. All equity mutual funds are open ended and not exposed to custodial credit risk. There is no concentration, custodial or credit risk to the State for amounts held in the State's abandoned property program.

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, and securities issued by the U.S. Treasury and Government Agencies. The Turnpike System's investment in U.S. Treasury Bonds and Bills represent $19.1 million of the State's debt securities.

Credit Risk: The risk that the issuer will not fulfill its obligations. The State invests in only investment grade securities which are defined as those with a grade B or higher. Obligations of the US Government or obligations backed by the U.S. 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 3 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. The Turnpike System's investments are held by its custodian in the name of the Turnpike System.

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. However, as all corporate bonds are held in the State's abandoned property program, there is no concentration risk. 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.

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	$1,175		4.2			
U.S. Government Obligations Held in Permanent Funds	1,578		8.1			
U.S. Government Obligations Held in Governmental and Business Type Activities	21,348		0.1			
Fixed Income Open Ended Mutual Funds		4,870	4.4		$2,239	6.8
Municipal Bonds	81		2.7			

FIDUCIARY COMPONENT UNIT (New Hampshire Retirement System – NHRS)

Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value (NAV) as a practical expedient to estimate fair value.

Real estate includes investments in commingled funds. The financial statements for commingled funds are typically audited as of the calendar year-end. The NAVs for real estate investments recorded in this report were obtained from financial statements provided by the general partners of commingled funds. NAVs are used as a practical expedient to estimate fair value. Real estate commingled funds are selected by NHRS's discretionary real estate manager.

Alternative investments include investments in private equity, private debt and absolute return strategies. The NAVs for alternative investments recorded in this report were obtained from statements provided by the investment managers. These financial statements are typically audited as of the calendar year-end.

Cash and cash equivalents are valued at cost, which approximates fair value. Cash and cash equivalents primarily represent investments in the pooled short term investment fund managed by NHRS's master custodian. This fund invests mainly in high-grade money market instruments with maturities averaging less than three months. The fund provides daily liquidity.

The Plan holds no investments, either directly or indirectly, nor participates in any loans or leases, nor other party-in-interest transactions with any NHRS officials, New Hampshire State Government officials, or parties related to these officials.

The annual money-weighted rate of return at June 30, 2016 was 0.9%. The return shows the investment performance net of fees and is adjusted for the timing of cash flows and the changing amounts actually invested.

RSA 100-A:15, I, provides separate and specific authorities to the NHRS Board of Trustees and the Independent Investment Committee for the management of the funds of the Plan and charges them with exercising the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the Plan.

To aid in the prudent investment of the Plan's assets, NHRS has adopted an Investment Manual which includes an investment policy. Primary components of the investment policy include the delineation of roles and responsibilities of the NHRS Board of Trustees, Independent Investment Committee, staff, and service providers; investment objectives; asset allocation policy; and asset class performance measurement and monitoring policy. This policy may be modified by the NRHS Board of Trustees as deemed necessary. In addition, the Investment Manual includes asset class guidelines which provide parameters for investment management.

Professional investment managers are bound by policy and contract to a standard of care that establishes a fiduciary relationship, to the extent permitted by law, requiring the manager to act prudently and solely in the best interest of the Plan and beneficiaries. Investment guidelines provide portfolio-level standards for separate account management including permissible investment types; security concentration thresholds; investment restrictions; and benchmarks for performance measurement and monitoring. NHRS utilizes a custodial bank compliance system to monitor the marketable investment portfolios against their respective guidelines.

NHRS's asset allocation as of June 30, 2016, as recommended by the Independent Investment Committee and adopted by the NHRS Board of Trustees, is as follows:

ASSET ALLOCATION	**2016**	
Asset Class:	**Target**	**Range**
Large Cap Equities	22.50%	
Small/Mid Cap Equities	7.50%	
Total Domestic Equity	**30.00%**	**20–50%**
Int'l Equities (Unhedged)	13.00%	
Emerging Int'l Equities	7.00%	
Total International Equity	**20.00%**	**15–25%**
Core Bonds	5.00%	
Short Duration	2.00%	
Global Multi-Sector Fixed Income	11.00%	
Absolute Return Fixed Income	7.00%	
Total Fixed Income	**25.00%**	**20–30%**
Private Equity	5.00%	
Private Debt	5.00%	
Opportunistic	5.00%	
Total Alternative Investments	**15.00%**	**0–25%**
Real Estate	10.00%	
Total Real Estate	**10.00%**	**5-20%**
TOTAL	**100.00%**	

Custodial Credit Risk - Deposits: Custodial credit risk for deposits is the risk that in an event of a bank failure, deposits may not be recovered. NHRS does not have a deposit policy to manage custodial credit risk on deposits.

At June 30, 2016, NHRS held deposits of $6.7 million in the local custodian bank. These deposits are fully insured or collateralized and are used to support the daily working capital needs of NHRS.

Custodial Credit Risk - Investments: Investment securities are exposed to custodial credit risk if the investment securities are uninsured, are not registered in the name of the Plan, and are held by either:

a. The counterparty to a transaction or,

b. The counterparty's trust department or agent but not in the Plan's name.

All of NHRS's securities are held by NHRS's bank in NHRS's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of the Plan's investments in a single issuer. NHRS policy is expressed through individual separate account manager guidelines which limit investments in a single issuer to 10%, or less, of the portfolio value in order to control the overall risk of loss on a total portfolio level. This threshold is set as an upper limit, and in actual practice, managers generally do not reach this limit. Certain securities may be excluded from this limitation due to the nature of the invest-

ments (such as U.S. government securities, government-sponsored enterprise obligations, and supranational debt). NHRS fixed income managers have consistently adhered to the established guidelines for issuer concentration. The fixed income commingled fund managers have established investment guidelines regarding concentration of credit risk. The total portfolio is broadly-diversified across equities, fixed income, cash equivalent securities, real estate and alternative investments. Due to this diversification, the concentration of credit risk in a single issuer is below 5% at the total portfolio level. Investments issued or explicitly guaranteed by the U.S. government are excluded from this regulation.

Interest Rate Risk - Fixed Income Investments: Interest rate risk is the effect on the fair value of fixed income investments from changes in interest rates. Duration measures a debt investment's change in fair value arising from a change in interest rates.

Interest rate risk is illustrated below using the effective duration or option-adjusted methodology. This methodology is widely-used in the management of fixed income portfolios to quantify the risk associated with interest rate changes. The effective duration methodology takes into account the most likely timing and magnitude of variable cash flows, such as callable options, prepayments and other factors, and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

The NHRS policy on duration is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. Duration guidelines have been established with each fixed income manager in order to manage interest rate risk within the separate account portfolios. The fixed income commingled fund managers also have established investment guidelines regarding duration. These provisions specify that the duration of each individual fixed income portfolio will be managed within a specified percentage or number of years relative to its benchmark index. NHRS fixed income managers follow the established guidelines for duration. If there is an occasional exception, the manager prudently remedies the guideline breach.

The following effective duration table quantifies the interest rate risk of the Plan's fixed income assets, as of June 30, 2016 (dollars expressed in thousands):

Investment Type	Fair Value June 30, 2016	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration Years
Collateralized/Asset Backed Obligations	$172,043	9.7%	4.4	0.4
Corporate Bonds	622,956	35.3%	5.7	2.0
Government and Agency Bonds	559,737	31.7%	5.8	1.8
Commingled Fund	204,997	11.6%	4.5	0.52
Commingled Fund	205,679	11.7%	3.5	0.4
Totals	**$1,765,412**	**100.0%**		**5.12**

Credit Risk - Fixed Income Securities: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

NHRS controls credit risk on debt securities by establishing requirements for average credit quality at the separate account portfolio level and through credit quality standards for individual securities. The NHRS policy on credit quality is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. The investment guidelines are customized to the individual manager's strategy. NHRS fixed income managers follow established guidelines for credit quality. If there is an occasional exception, the manager prudently remedies the guideline breach. NHRS applies standards with regard to securities rated by nationally recognized statistical rating organizations ("NRSRO") and uses the lowest agency ratings for evaluating the credit quality of a specific security. The fixed income commingled fund managers have established investment guidelines regarding concentration of credit risk.

The following schedule illustrates the Plan's fixed income investments as of June 30, 2016, including the distribution of those investments by Standard & Poor's quality credit ratings (dollars expressed in thousands):

		Quality Ratings[1]				
Investment Type	Fair Value June 30, 2016	AAA	AA	A	BBB or Lower	Unrated
Collateralized/Asset Backed Obligations	$172,043	$89,585	$27,801	$15,725	$25,483	$13,449
Corporate Bonds	622,956	8,973	55,529	123,373	433,634	1,447
Government and Agency Bonds[2]	273,424	45,116	64,101	76,576	70,672	16,959
Commingled Fund[3]	204,997			204,997		
Commingled Fund[3]	205,679		205,679			
Totals	**$1,479,099**	**$143,674**	**$353,110**	**$420,671**	**$529,789**	**$31,855**
Percent of Total Fair Value		**9.71%**	**23.87%**	**28.44%**	**35.82%**	**2.15%**

[1]Ratings were derived primarily from Standard & Poor's (S&P). In instances where S&P did not rate a security, the Moody's rating was used.

[2]Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government ($286,313) because these securities are not considered to have credit risk.

[3]Average credit quality rating for the commingled funds was provided by GAM and Manulife respectively.

Investments in asset-backed and mortgage-backed securities are reported at fair value. Although not generally considered to be derivatives, asset-backed and mortgage-backed securities receive cash flows from interest and principal payments on the underlying assets and mortgages. As a result, they are exposed to prepayment risk. As of June 30, 2016, the Plan's combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled $129.9 million, respectively.

Foreign Currency Risk - Investments: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

NHRS manages its foreign currency risk primarily through its strategic asset allocation policy. As of June 30, 2016, investments in non-U.S. equity securities have a target asset allocation of 20% of total investments with a target range of 15–25%. As of June 30, 2016, non-U.S. fixed income securities represent 3.3% of the total investments as a result of the managers' security selection process. Non-U.S. investments are permitted in the alternative investment asset class, which includes private equity, private debt and absolute return strategy investments. The target allocation for alternative investments is 15% and the NHRS investment policy does not set limits for foreign investments in this asset class. The target allocation for real estate investments is 10%, and up to 35% of the Plan's real estate allocation may be invested in non-U.S. investments.

In addition, foreign currency risk is mitigated through the investment guidelines. NHRS manages its foreign exposure by requiring that separate account managers diversify their non-U.S. portfolios by country, sector and issuer to limit both foreign currency risk and security risk. Managers of commingled funds have discretion over their respective investment guidelines which must be consistent with strategies approved by NHRS. In certain instances, where permitted in the investment guidelines, investment managers may also use foreign currency forward contracts to hedge against foreign currency risk.

The Plans' exposure to foreign currency risk at June 30, 2016 is presented on the following schedule (expressed in thousands):

Currency	Equity*	Fixed Income	Real Estate & Alternative Investments	Cash and Cash Equivalents	Totals
Total investments subject to foreign currency risk	**$547,467**	**$247,336**	**$76,917**	**$1,045**	**$872,765**

*NHRS also invests in commingled funds where foreign currency risk information is not available. As a result, totals for equity shown on this schedule will not match the total non-U.S. equity shown on the Combining Statements of Fiduciary Net Position.

Derivatives: Derivative instruments are contracts whose values are based on the valuation of an underlying asset, reference rate or index. Derivatives include futures, options, forward contracts and forward foreign currency exchanges. NHRS managers may enter into certain derivative instruments primarily to enhance the efficiency and reduce the volatility of the portfolio. As of June 30, 2016, there was $2.6 million invested in equity futures and there were no investments in options within the separate account portfolios. The NHRS investment policy and certain investment manager guidelines allow for the use of derivative instruments. The use of futures, options, or forward contracts is not permitted for any speculative hedging or leveraging of the portfolios and is prohibited in separate account mandates. Managers of commingled funds have discretion over their respective investment guidelines which may allow for the use of derivative instruments.

The Plan could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, investment managers conduct assessments of their counterparties and utilize exchanges which have trading standards.

NHRS managers may use futures, options, and foreign currency exchange contracts in order to manage currency risk or initiate transactions in non-U.S. investments. NHRS may be positively or negatively impacted by foreign currency risk due to fluctuations in the value of different currencies. The Plan could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, investment managers conduct assessments of their counterparties and utilize exchanges which have trading standards. The fair value of open foreign currency exchange contracts including unrealized appreciation or depreciation is recorded on the Statement of Fiduciary Net Position as Due from Brokers for Securities Sold and as Due to Brokers for Securities Purchased.

Foreign currency exchange contracts open at June 30, 2016 are summarized below (expressed in thousands):

FOREIGN CURRENCY EXCHANGE CONTRACTS PURCHASED & SOLD

	Unrealized Appreciation	Unrealized (Depreciation)
Totals	$662	$(1,721)

Fair Value: NHRS categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles as described in detail in Note 1, section E. Investments. Investments are reported at fair value. If an investment is held directly by NHRS and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain government securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1. Investments in real estate, private equity and private debt funds are generally reported at the net asset value (NAV) reported by the fund managers and assessed as reasonable by NHRS, which is used as a practical expedient to estimate the fair value of NHRS's interest therein, unless it is probable that all or portion of the investment will be sold for an amount different from NAV. At June 30, 2016 NHRS had no plans or intentions to sell investments at amounts different from NAV.

NAVs determined by fund managers generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainties of valuation, the estimated fair values used in NAV calculations may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

The following table summarizes NHRS's investments measured at fair value, by type, as of June 30, 2016 (expressed in thousands):

	2016			
	Fair Value Measurements Using			
Investments at Fair Value	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Net Asset Value (NAV)**
Short -term:				
Cash and Cash Equivalents	$140,787	$140,787		
Fixed Income:				
U.S Government Obligations (1)	286,313	246,469	$39,844	
Domestic Fixed Income (2)	821,087	5,904	815,183	
Commingled Funds (3)	410,676			$410,676
International Fixed Income (4)	247,336		247,336	
Equity:				
Domestic Equity Securities	2,590,619	2,587,812	2,807	
Commingled Funds (5)	544,447			544,447
International Equity Securities	558,515	558,515		
Real Estate:				
Real Estate Funds (6)	787,937			787,937
Alternative Investments:				
Private Equity (7)	453,602			453,602
Private Debt (8)	324,961			324,961
Opportunistic (9)	206,410			206,410
Total Investments	**$7,372,690**	**$3,539,487**	**$1,105,170**	**$2,728,033**

Notes to the table above:

(1) Rates range from 0.625% to 6.770%, and maturities from 2017 to 2046.

(2) Rates range from 0.00% to 10.500%, and maturities from 2016 to 2057.

(3) This represents investments in 2 commingled fixed income funds that invest globally in both Developed and Emerging Markets with investments consisting primarily of corporate bonds (investment grade and high yield), sovereign bonds and securitized bonds. These funds may also invest in convertible bonds and currencies. The redemption frequency for these investments range from daily to monthly with 1 to 30 business days' prior written notice.

(4) Rates range from 0.250% to 10.250%, and maturities from 2016 to 2064.

(5) This represents investments in 4 commingled equity funds that invest primarily in common stock of companies located outside the U.S., including Emerging Markets. These investments have daily liquidity and require up to 10 business days' notice for redemption.

(6) This represents investments in 45 funds consisting of 10 open-end funds and 35 closed-end funds. The open-end funds can be redeemed on a quarterly basis with a 45-90 day notice period. The closed-end funds are not redeemable. Beginning in 2010 NHRS real estate portfolio was restructured from direct property holdings to a diversified portfolio of funds. As such, 40 of the 45 investments have been made during the period from 2010 to 2016.

(7) This represents 30 investments in private partnerships focused primarily on the following strategies: buyouts, growth equity, secondaries and energy. These private partnerships typically have 10 to 15 year life cycles during which limited partners are unable to redeem their positions, but instead, receive distributions as the partnerships liquidate their underlying assets.

(8) This represents 16 investments in private partnerships focused primarily on the following strategies: direct lending, mezzanine and distressed debt. These private partnerships typically have 10 to 15 year life cycles during which limited partners are unable to redeem their positions, but instead, receive distributions from coupon payments and/or as the partnerships liquidate their underlying assets.

(9) SLI GARS is held within the Opportunitstic sleeve of the Alternative Investments asset allocation as SLI GARS is an "unconstrained/ go anywhere" manager that invests across various geographies and asset classes including equity, credit, interest rates, currencies and real estate. This manager invests on an opportunistic basis to take advantage of market dislocations.

Unfunded commitments with various real estate and alternative investment funds total $920.6 million as of June 30, 2016.

FIDUCIARY COMPONENT UNIT (New Hampshire Judicial Retirement Plan – NHJRP)

Custodial Credit Risk – Deposits: At times, NHJRP maintains cash balances in excess of the amount insured by the Federal Deposit Insurance Corporation. NHJRP has not experienced any losses in such accounts. NHJRP believes it is not exposed to any significant risk with respect to these accounts held at Bank of New Hampshire.

Custodial Credit Risk – Investments: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, NHJRP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of NHJRP and are held by either the counterparty, or the counterparty's trust department or agency, but not in NHJRP's name.

NHJRP does not have a written policy in place to address custodial credit risk on investments. As of December 31, 2015, NHJRP's investments included in the Statement of Fiduciary Net Position were exposed to custodial credit risk. The investments were held by the counterparty, not in the name of NHJRP.

Concentration of Credit Risk: NHJRP's investment policy prohibits more than 5% of the portfolio, at fair value, to be invested in the securities of any one company. These guidelines mitigate the magnitude of risk and loss attributable to a single issuer.

Interest Rate Risk – Fixed Income Investments: Interest rate risk associated with adverse effects of changes in the fair value of fixed income securities is not addressed in the policy by NHJRP. While policies do exist to limit the percentage of market value in a single issue at any one time and of the total percentage held of any issuer's debt instruments, the duration of the remaining life of individual securities is not subject to any limitations and may therefore introduce a measure of interest rate risk.

Credit Quality Risk – Fixed Income Investments: The investment policy uses quality ratings by Standard & Poor's and Moody's as the primary guide for corporate fixed income investments. There are no limits on the use of U.S. Government, agency or guaranteed issues. In addition, there are no limits on the use of issues of Canadian, British, Japanese, Australian, or European monetary systems bloc governments and their agencies and supranational borrowers in local currency or European Currency Unit. A 15% limit is placed on all other issues.

Fair Value: As NHJRP has not implemented GASBS 72 because of its December 31, 2015 fiscal year-end, leveling disclosures are not included.

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

Cash, cash equivalents, and short-term investments are recorded at fair value. USNH's investment policy and guidelines specify permitted instruments, durations, required ratings and insurance of USNH cash, cash equivalents and short-term investments. The investment policy and guidelines are intended to mitigate credit risk on investments individually and in the aggregate through restrictions on investment type, liquidity, custodian, dollar level, maturity, and rating category. Money market funds are placed with the largest national fund managers. These funds must be rated AAA/Aaa by Standard & Poor's and Moody's Investor Service and comply with Securities and Exchange Commission Rule 2A-7. Repurchase agreements must be fully collateralized at 102% of the face value by U.S. Treasuries, or 103% of the face value by US Government-backed or guaranteed agencies or government sponsored enterprises. In addition, USNH investments may not exceed 5% of any institution's total deposits or 20% of any institution's net equity.

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. Short-term investments are highly liquid amounts held to support specific current liabilities. Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk, and the related mutual funds are not rated. Cash and cash equivalents totaled $69.2 million and short-term investments totaled $158.4 million at June 30, 2016.

The components of cash, cash equivalents and short-term investments are summarized below (expressed in thousands):

	Level 1	Level 2	Total	Weighted Average Maturity
Cash balance	$4,058		$4,058	Less than 1 year
Repurchase agreements		$28,847	28,847	Less than 1 year
Money Market funds	60,473		60,473	Less than 1 year
Domestic Equity	205		205	Less than 1 year
Mutual Funds	133,458		133,458	1-5 years
U.S. Treasauries		526	526	5-10 years
Total cash, cash equivalents and short-term investments	$198,194	$29,373	$227,567	

USNH's investment policy and guidelines specify permitted instruments, duration and required ratings for pooled endowment funds. The policy and guidelines are intended to mitigate risk on investments individually and in the aggregate while maximizing total returns and supporting intergenerational equity of spending levels. Illiquid investments are limited to 20% of the USNH consolidated endowment pool. Credit risk is mitigated by due diligence in the selection and continuing review of investment managers as well as diversification of both investment managers and underlying investments. No more than $50 million may be invested in any single fund and no more than $75 million or 10% of the pool may be invested with any single bank, fund manager, or investment group unless approved by the Finance Committee for Investments. Foreign currency risk is mitigated by limiting global equity investments in publically traded international and emerging market funds to 25% of the endowment pool. Private global equity investments are limited to 15% of the endowment pool. No USNH endowment investments were denominated in foreign currencies as of June 30, 2016.

Endowment and similar investments are reported at estimated fair value. The fair value of these investments is based on quoted market prices when available. If an investment is held directly by USNH and an active market with quoted prices exists, the market price of an identical security is used to determine its fair value. Fair values of shares in registered mutual funds are based on published share prices. Registered mutual funds and directly held equity securities are classified in Level 1 of the fair value hierarchy. Investments classified in Level 2 consist of directly held investments that have valuations based on inputs other than quoted prices. There were no transfers between levels in 2016.

As a practical expedient to estimate the fair value of USNH's interests, certain investments in commingled funds and limited partnerships are reported at the net asset value (NAV) determined by the fund managers, without adjustment when assessed as reasonable by USNH, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. 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. As of June 30, 2016, USNH had no plans or intentions to sell such investments at amounts different from NAV.

The following tables summarize USNH's investments by type (expressed in thousands):

	Investments Classified in the Fair Value Hierarchy		Investments	
	Level 1	Level 2	Measured at NAV	Total
Endowment and similar investments - campuses				
Money market	$8,653			$8,653
Domestic equity	103,401		$39,505	142,906
International equity	43,772		35,698	79,470
Global fixed income	16,154	$20,568	47	36,769
Inflation hedging assets		6,090	17,962	24,052
Hedge funds:				
Fund of Funds			52,805	52,805
Event-Driven			27,206	27,206
Equity Hedge			40,510	40,510
Distressed/Restructuring			10,388	10,388
Private equity & non-marketable real assets			21,541	21,541
Funds held in trust		15,119		15,119
Total endowment and similar investments - campuses	171,980	41,777	245,662	459,419
Endowment and similar investments - affiliated entities				
Money market	9,205			9,205
Domestic equity	34,715		29,080	63,795
International equity	13,319		24,019	37,338
Global fixed income	9,223	1,786	1,261	12,270
Inflation hedging assets	2,813	3,873	3,681	10,367
Hedge funds:				
Equity Hedge			16,698	16,698
Distressed/Restructuring			21,232	21,232
Diversified			12,991	12,991
Private equity & non-marketable real assets			11,994	11,994
Total endowment and similar investments - affiliated entities	69,275	5,659	120,956	195,890
Total endowment and similar investments	$241,255	$47,436	$366,618	$655,309

The majority of USNH's investments are units of institutional commingled funds and limited partnerships invested in equity, fixed income, hedge, natural resources, private equity, or real estate strategies. Hedge strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments which are valued by the investment manager. To the extent quoted prices exist the manager would use those; otherwise, other methodologies maximizing observable inputs would be used for the valuation, such as discounted cash flow analysis, capitalization of current or stabilized net operating income, replacement costs, or sales contracts and recent sales comparable in the market. Private equity funds employ buyout, growth and venture capital, and distressed security strategies. Real asset funds generally hold interests in private real estate. As of June 30, 2016, fixed income securities had maturities up to 30 years and carried ratings ranging from AAA to A3. The mutual fund investments held in the endowment pools are not rated.

Unfunded commitments with various private equity and similar alternative investment funds total $15.8 million for USNH and $21.6 million for the University of New Hampshire Foundation,. Inc. (UNHF) at June 30, 2016. This compares to $15.9 million and $10.9 million, respectively, at June 30, 2015.

3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2016 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short-Term Receivables				
Taxes:				
Meals and Rooms	$38,391		$38,391	
Business Taxes	150,012		150,012	
Tobacco	10,061		10,061	
Real Estate Transfer	16,367		16,367	
Interest & Dividends	24,635		24,635	
Communications	5,282		5,282	
Utility Property Tax	20,600		20,600	
Gasoline Road Toll	10,955		10,955	
Subtotal	276,303		276,303	
Other Receivables:				
Turnpike System		$7,194	7,194	
Liquor Commission		6,499	6,499	
Lottery Commission		2,353	2,353	
Unemployment Trust Fund		18,132	18,132	
Internal Service Fund	9,449		9,449	
Federal Grants	304,021		304,021	$16,330
Local Grants	34,021		34,021	
Miscellaneous	70,187		70,187	7,042
Short Term Portion Of SRF Loans Receivable		23,846	23,846	
Short Term Portion Of Note/Pledge Receivable				6,978
Subtotal	417,678	58,024	475,702	30,350
Total Current Receivables (Gross)	693,981	58,024	752,005	30,350
Long-Term Receivables				
SRF Loans Receivable		369,228	369,228	
Miscellaneous	16,036		16,036	
Note/Pledge Receivable				33,534
Total Long Term Receivables (Gross)	16,036	369,228	385,264	33,534
Allowance for Doubtful Accounts	(44,326)		(44,326)	(9,303)
Total Receivables (Net)	$665,691	$427,252	$1,092,943	$54,581

State Revolving Fund (SRF):

Business-type activities include loans made under a program with the U.S. Environmental Protection Agency to improve cleanliness and potability of the State's water supplies. The 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. Amounts recorded as principal forgiveness totaled approximately $4.0 million for the year ended June 30, 2016.

Unearned Revenue:

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2016, unearned revenue reported in governmental funds was $84.6 million, and in business-type activities was $15.3 million.

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2016, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$541,646	$18,254	$(1,573)	$558,327
Construction in Progress	215,048	167,925	(171,386)	$211,587
Work in Progress Computer Software	56,673	18,805		$75,478
Total Capital Assets not being depreciated	813,367	204,984	(172,959)	845,392
Other Capital Assets:				
Equipment & Computer Software	309,508	19,672	(6,305)	322,875
Buildings & Building Improvements	794,021	21,195	(2,706)	812,510
Land Improvements	115,896	4,894		120,790
Infrastructure	3,524,721	160,235	(6,860)	3,678,096
Total Other Capital Assets	4,744,146	205,996	(15,871)	4,934,271
Less accumulated depreciation for:				
Equipment & Computer Software	(273,541)	(18,752)	8,071	(284,222)
Buildings & Building Improvements	(390,811)	(22,185)	1,529	(411,467)
Land Improvements	(94,383)	(2,239)	15	(96,607)
Infrastructure	(1,992,833)	(53,158)	1,505	(2,044,486)
Total Accumulated Depreciation	(2,751,568)	(96,334)	11,120	(2,836,782)
Other Capital Assets, Net	1,992,578	109,662	(4,751)	2,097,489
Governmental Activities Capital Assets, Net	$2,805,945	$314,646	$(177,710)	$2,942,881
Business-Type Activities:				
Turnpike System:				
Capital Assets not being depreciated:				
Land & Land Improvements	$103,670		$(2,266)	$101,404
Construction in Progress	114,171	48,476	(20,950)	141,697
Capital Assets not being depreciated	217,841	48,476	(23,216)	243,101
Other Capital Assets:				
Equipment & Computer Software	48,798	2,094	(665)	50,227
Buildings & Building Improvements	6,613	7,846		14,459
Land Improvements	1,972	31		2,003
Infrastructure	951,176	11,873	(149)	962,900
Total Other Capital Assets	1,008,559	21,844	(814)	1,029,589
Less accumulated depreciation for:				
Equipment	(43,036)	(2,754)	535	(45,255)
Buildings & Building Improvements	(2,457)	(363)		(2,820)
Land Improvements	(98)	(100)		(198)
Infrastructure	(303,423)	(19,013)	149	(322,287)
Total Accumulated Depreciation	(349,014)	(22,230)	684	(370,560)
Turnpike Capital Assets, Net	$877,386	$48,090	$(23,346)	$902,130
Liquor:				
Capital Assets not being depreciated:				
Land	$2,080		$(78)	$2,002
Construction In Progress	434	$1,143	(434)	1,143
Work In Progress Computer Software		911		911
Total Capital Assets not being depreciated	2,514	2,054	(512)	4,056
Other Capital Assets:				
Equipment	5,899	1,806	(162)	7,543
Buildings & Building Improvements	33,802	1,957	(1,162)	34,597
Land Improvements	716	48	(75)	689
Total Other Capital Assets	40,417	3,811	(1,399)	42,829
Less accumulated depreciation for:				
Equipment	(4,841)	(709)	156	(5,394)
Buildings & Building Improvements	(11,832)	(811)	887	(11,756)
Land Improvements	(666)	(5)	75	(596)
Total Accumulated Depreciation	(17,339)	(1,525)	1,118	(17,746)
Liquor Capital Assets, Net	$25,592	$4,340	$(793)	$29,139
Lottery Commission:				
Equipment	$630	$72	$(50)	$652
Less Accumulated Depreciation for Equipment:	(420)	(71)	50	(441)
Lottery Capital Assets, Net	$210	$1	$-	$211

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

Governmental Activities:	
General Government	$7,776
Administration of Justice and Public Protection	13,123
Resource Protection and Development	5,487
Transportation	64,119
Health and Social Services	5,361
Education	468
Total Governmental Activities Depreciation Expense	$96,334

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	$15,789	$2	$(11)	$15,780
Building and Building Improvements	1,555,154	68,199	(30,262)	1,593,091
Equipment	118,717	12,894	(8,524)	123,087
Construction in Progress	67,490	119,567	(68,700)	118,357
Subtotal	$1,757,150	$200,662	$(107,497)	$1,850,315
Less: Accumulated Depreciation	(747,565)	(59,919)	34,220	(773,264)
Total	$1,009,585	$140,743	$(73,277)	$1,077,051

5. LONG-TERM DEBT

PRIMARY GOVERNMENT

Bonds/Notes Authorized and Unissued: Bonds/Notes authorized and unissued amounted to $821.9 million at June 30, 2016. The proceeds of the bonds/notes will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$286.4
Federal Highway/Garvees	485.3
Turnpike System	50.2
Total	$821.9

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 $766.0 million of bonds to support this project. The State has issued $715.8 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 millions):

Date of Advance Refunding	Amount Outstanding at June 30, 2016
Governmental Fund Types (General Obligation Bonds):	
April 8, 2010	$89,575
December 10, 2014	$60,640
Subtotal	$150,215

Bond/Note Issuances:

Effective July 1, 2014, Chapter 17 of the Laws of 2014 and as amended by Chapter 276:210 and 276:211, Laws of 2015, authorized the use of a 4.2 cent increase in motor vehicle fuel fees (referred to as a 'road toll' in New Hampshire laws) to fund $200 million in general obligation bonds or revenue bonds, or both, to complete the I-93 Salem to Manchester widening project. Subsequent legislation specifically authorized a Federal

Transportation Infrastructure Finance and Innovation Act (TIFIA) loan as an alternative to a traditional general obligation bond issue including, without limitation, a pledge of the revenue collected from adjustments under RSA 260:32-a for rates that exceed $0.18 per gallon less required distributions under RSA 235:23, I, on said revenues.

The State, through the State Treasurer and the NH Department of Transportation (Department) was approved for a TIFIA loan in May of 2016. The TIFIA loan resulted in $200 million of funding at a favorable 1.09% interest rate that will allow the Department to perform additional bridge repair and pavement maintenance and completion of the I-93 project within the time frame of the law. This increase under Chapter 17 of the Laws of 2014, as amended, will expire once all debt service payments for the I-93 project have been made or 20 years after the initial issuance of such bonds, whichever is earlier. As of June 30, 2016, $9.7 million of TIFIA proceeds had been received under this arrangement, representing a long-term note payable. The TIFIA obligation is payable on an interest-only basis initially, with principal payments beginning in 2025.

The State issued no general obligation bonds during fiscal year 2016.

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	$961,834	$199		$99,146	$862,887	$83,262	$779,625
Federal Highway Grant Anticipation Bonds	166,361			13,893	152,468	12,390	140,078
Notes Payable			$9,685		9,685		9,685
Compensated Absences	86,888		1,164		88,052	17,610	70,442
Claims Payable	46,240		269,656	268,830	47,066	27,253	19,813
Net Pension Liability	736,499		58,846		795,345		795,345
Other Postemployment Benefits	961,817		195,945	88,739	1,069,023		1,069,023
Pollution Remediation Obligation	49,898		1,591	2,389	49,100	1,001	48,099
Capital Lease	1,597		348		1,945	579	1,366
Advance Construction Commitments	1,348			761	587	587	
Legal & Other Settlement Contingency	3,100			3,100			
Total Governmental	3,015,582	199	537,235	476,858	3,076,158	142,682	2,933,476
Business-Type Activities							
Turnpike System							
Revenue Bonds	454,285			22,303	431,982	27,855	404,127
Note Payable	414			414			
Pollution Remediation Obligation	4,356		171	1,638	2,889	321	2,568
Claims & Compensated Absences Payable	2,695		170	629	2,236	293	1,943
Net Pension Liability	9,369		731		10,100		10,100
Total	471,119		1,072	24,984	447,207	28,469	418,738
Liquor Commission							
General Obligation Bonds Payable	15,836			1,056	14,780	1,056	13,724
Capital Lease	379			26	353	44	309
Claims & Compensated Absences Payable	4,124		1,275	597	4,802	905	3,897
Net Pension Liability	18,641		1,500		20,141		20,141
Total	38,980		2,775	1,679	40,076	2,005	38,071
Lottery Commission							
Claims & Compensated Absences Payable	615		417	411	621	125	496
Net Pension Liability	3,400		275		3,675		3,675
Total	4,015		692	411	4,296	125	4,171
State Revolving Fund Programs							
General Obligation Bonds Payable	14,410			2,275	12,135	2,275	9,860
Claims & Compensated Absences Payable	1,170			319	851	170	681
Net Pension Liability	4,435		370		4,805		4,805
Total	20,015		370	2,594	17,791	2,445	15,346
Total Business-Type	$534,129		$4,909	$29,668	$509,370	$33,044	$476,326

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, 2016, 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 four issues in this group have matured leaving only two capital appreciation bonds outstanding. At June 30, 2016, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $157.9 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 U.S. 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 No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution liabilities of $49.1 million and $2.8 million were reported for governmental activities and business-type activities, respectively, at June 30, 2016. 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 and TIFIA note payable, 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 supporting" 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			
Payable June 30,	General Fund	Highway Fund	Federal Highway (GARVEE)	Self Supporting	Total	Liquor Commission General Obligations	SRF Funds General Obligations	Turnpike System Revenue	Principal	Interest	Less: Federal Interest Subsidy	Net Total
2017	63,642	8,648	12,390	10,972	**95,652**	1,056	2,275	27,855	126,838	62,861	6,340	**183,359**
2018	62,728	9,406	12,985	10,563	**95,682**	1,056	2,275	17,890	116,903	57,116	6,307	**167,712**
2019	63,921	7,520	13,620	10,717	**95,778**	1,056	1,520	27,110	125,464	51,244	6,199	**170,509**
2020	60,708	7,162	14,300	10,389	**92,559**	1,056	1,520	30,040	125,175	45,395	6,089	**164,481**
2021	52,889	6,576	15,000	7,221	**81,686**	1,056	1,515	24,145	108,402	39,639	5,949	**142,092**
2022-2026	184,771	27,198	75,800	30,217	**317,986**	4,413	3,030	91,665	417,094	131,568	22,890	**525,772**
2027-2031	92,553	9,136		20,614	**122,303**	3,609		62,990	188,902	59,375	10,589	**237,688**
2032-2036	27,242	1,200		157	**28,599**	1,478		56,205	86,282	27,191	5,137	**108,336**
2037-2041								58,510	58,510	9,131	1,366	**66,275**
2042-2043								12,300	12,300	497		**12,797**
Subtotal	**$608,454**	**$76,846**	**$144,095**	**$100,850**	**$930,245**	**$14,780**	**$12,135**	**$408,710**	**$1,365,870**	**$484,017**	**$70,866**	**$1,779,021**
Unamortized (Discount) / Premium	76,749	(8)	8,373	(4)	85,110			23,272	108,382			**108,382**
Total	**$685,203**	**$76,838**	**$152,468**	**$100,846**	**$1,015,355**	**$14,780**	**$12,135**	**$431,982**	**$1,474,252**	**$484,017**	**$70,866**	**$1,887,403**

Revenue Bond Resolutions: Turnpike System revenue bonds are secured by a pledge of substantially all Turnpike System revenues and monies deposited into accounts created by the bond resolutions, subject only to the payment of operating expenses.

The bond resolutions require the Turnpike System to establish and collect tolls which are adequate at all times, when combined with other available sources of revenues, to provide for the proper operation and maintenance of the Turnpike System and for the timely payment of the principal and interest on all bonds, notes, or other evidences of indebtedness. The resolutions further require the Turnpike System to collect sufficient tolls so that in each fiscal year net revenues as defined by the resolutions will be at least equal to the greater of: (a) 120% of current year debt service on the revenue bonds, or (b) 100% of current year debt service on the revenue bonds and on all general obligation or other bonds, notes or other indebtedness, and the additional amount, if any, required to be paid from the revenue bond general reserve account to satisfy the Renewal & Replacement (R&R) requirement for the fiscal year.

The resolutions further require the Turnpike System to request payment from the Revenue Bond Construction Account and an Authorized Officer shall sign a written order and file the request with the State Treasurer.

The Turnpike System is required to review the adequacy of its tolls after each fiscal year. If this review indicates that the tolls and charges are, or will be, insufficient to meet the requirements described above, then the Independent Engineer of the Turnpike System will make a study and recommend a schedule of tolls and charges which will provide revenues sufficient to comply with the requirements described above. For fiscal year 2016, the toll rate schedule was deemed to be sufficient to meet all required payments in connection with the Turnpike System, and as such, no Independent Engineer's study was necessary.

The resolutions establish an R&R requirement with respect to each fiscal year. R&R costs consist of rehabilitation, renewals, replacements, and extraordinary repairs necessary for the sound operation of the Turnpike System or to prevent loss of revenues, but not costs associated with new construction, additions or extensions. Total R&R costs for fiscal year 2016 were $7.9 million, of which $7.5 million were recorded as current year expenses and $0.4 million were capitalized.

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 $508.3 million; capital lease obligations of $10.7 million; deferred obligations interest swaps of $36.8 million; accrued employee benefits and compensated absences of $48.9 million; other postemployment benefits of $55.7 million; and other liabilities of $18.8 million (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	$647,648	$90,708	$59,145	$679,211	$39,237	$639,974

Debt Maturity: The table below 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):

	UNIVERSITY SYSTEM OF N.H.		
Payable June 30,	Principal	Interest	Total
2017	16,216	20,232	36,448
2018	18,602	20,668	39,270
2019	66,499	19,883	86,382
2020	20,553	16,627	37,180
2021	50,579	15,985	66,564
2022-2026	130,435	55,855	186,290
2027-2031	69,110	34,640	103,750
2032-2036	67,815	20,256	88,071
2037-2041	25,730	9,785	35,515
2042-2046	28,065	4,157	32,222
2047	1,695	53	1,748
Subtotal	495,299	218,141	713,440
Unamortized Discounts/Premium, net	23,700		23,700
Total	$518,999	$218,141	$737,140

6. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The components of deferred outflows and inflows of resources in the government-wide financial statements related to the primary government at June 30, 2016 are as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Primary Government
Deferred outflows of resources:			
Pension related amounts	$87,256	$4,316	$91,572
Loss on refunding of debt, net	14,383	1,811	16,194
Total deferred outflows of resources	$101,639	$6,127	$107,766
Deferred inflows of resources:			
Pension related amounts	$46,666	$2,387	$49,053
Total deferred inflows of resources	$46,666	$2,387	$49,053

The components of deferred inflows of resources related to the governmental funds at June 30, 2016 are as follows (expressed in thousands):

	General	Highway	Education	Total Governmental Funds
Deferred inflows of resources:				
Taxes considered unavailable	$95,165		$57,300	$152,465
Local assistance	10,358			10,358
Other loans	2,239			2,239
Indigent representation advances	4,082			4,082
Banking assessments	1,700			1,700
Miscellaneous fees & fines	587	$1,345		1,932
Total deferred inflows of resources	$114,131	$1,345	$57,300	$172,776

MAJOR COMPONENT UNIT

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

Accumulated decrease in fair value of hedging derivatives	$36,769
Loss on debt refinancings	5,904
Total deferred outflows of resources	$42,673

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 23 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, one fleet claim was settled in excess of policy limits during fiscal year 2016 and one currently outstanding claim has the potential to exceed the fleet policy 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 $250 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, which totaled $14.6 million as of June 30, 2016. In addition, state law requires the Fund to maintain a reserve in the amount of at least 3% of estimated annual claims and administrative costs, for unexpected costs. For fiscal year 2016, this reserve equaled $17.4 million for the Fund. The State maintains a reserve for four plans in the Fund: Actives, Troopers, Retirees, and Dental. For fiscal year 2016 the Fund maintained a reserve of 100% of the estimated annual claims and administrative expenses for the Trooper health plan account due to its small member size (approximately 900 members). The Trooper reserve equaled $3.8 million for fiscal year 2016. The Active and Retiree Plan accounts maintained a reserve of 5% of the estimated annual claims and administrative expenses and the Dental Plan account maintained a reserve of 3% of the estimated annual claims and administrative expenses. The Active, Retiree, and Dental reserves equaled $9.2 million, $4.1 million, and $0.3 million, respectively. Health and Dental Plan Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and annual projected plan claims and administrative expenses. 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 fiscal year 16 actuarial study, the Estimated Workers' Compensation Unpaid Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends, and future estimated loss experience, is $29.5 million as of June 30, 2016.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2015 and 2016 (expressed in thousands):

Governmental Activities	6/30/2014 Balance	Increases	Decreases	6/30/2015 Balance	Increases	Decreases	6/30/2016 Balance	Current	Long-Term
Workers Compensation Claims Payable	$21,859	$7,206	$5,986	$23,079	$9,541	$6,747	$25,873	$6,060	$19,813
Health Claims Payable*	19,676	255,727	252,242	23,161	260,878	262,846	21,193	21,193	
Total	41,535	262,933	258,228	46,240	270,419	269,593	47,066	27,253	19,813
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable	1,942		308	1,634		619	1,015	49	966
Total	1,942		308	1,634		619	1,015	49	966
Liquor Commission									
Workers Compensation Claims Payable	2,411	172	444	2,139	1,027	526	2,640	473	2,167
Total	2,411	172	444	2,139	1,027	526	2,640	473	2,167
Lottery Commission									
Workers Compensation Claims Payable	27		2	25		24	1	1	
Total	27		2	25		24	1	1	
Total Business-Type	$4,380	$172	$754	$3,798	$1,027	$1,169	$3,656	$523	$3,133

* 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, 2016 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$227	Turnpike System	$227
Education Fund	222	Lottery Commission	222
General Fund	11,920	Education Fund	11,920
General Fund	3,103	Unemployment Compensation	3,103
General Fund	15	Turnpike System	15
General Fund	8,130	Liquor Commission	8,130
Non-Major Fund	2,983	Liquor Commission	2,983
Non-Major Fund	1,485	State Revolving Fund	1,485
Turnpike System	515	Highway Fund	515
Turnpike System	94	Liquor Commission	94
Lottery Commission	511	Liquor Commission	511
Total	$29,205	Total	$29,205

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 $15.7 million from business-type activities represents the "internal balances" amount on the statement of net position. The $12.4 million between governmental funds, and the $1.1 million between enterprise funds has been eliminated on the government-wide financial statements.

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 Funds
Governmental Funds					
General Fund		$28,052	$687		$28,739
Highway Fund	$776		1,479		2,255
Total Governmental Funds	* 776	* 28,052	* 2,166	*	30,994
Proprietary - Enterprise Funds					
Liquor Commission	155,853				155,853
Lottery Commission		79,185			79,185
Total Proprietary - Enterprise Funds	$155,853	$79,185			$235,038

* 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 $79.2 million to fund education
- Transfer of Liquor Commission profits of $152.7 million to general fund for government operations and $3.2 million to general fund pursuant to RSA 176:16, III for the Alcohol Abuse Prevention and Treatment Fund.
- $28.1 million transfer from the general fund to eliminate education fund deficit

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 Fund and Fish & Game Fund.

10. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $64.3 million at June 30, 2016. This represents total obligations of $139.6 million less $75.3 million in estimated federal aid.

Encumbrances: Encumbrances by fund for the State at June 30, 2016, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	$185.5
Highway Fund	21.6
Non-Major Governmental Funds	105.5
	$312.6

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 ("NHRS") 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. NHRS is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. NHRS 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. NHRS 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, NHRS also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

NHRS 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: NHRS 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 NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed 12.50% of gross payroll for Group I members, 29.16% of gross payroll for Group II firefighter members, and 26.38% of gross payroll for Group II police officer members.

The State's required and actual contributions for the year ended June 30, 2016 were $81.5 million, which included an amount for other post employment benefits of $11.8 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

As of June 30, 2016, the State reported a liability of $794.9 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll the total pension liability forward to June 30, 2015. The State's proportion of the net pension liability was based on the State's share of contributions to NHRS relative to the contributions of all participating employers, actuarially determined. As of the measurement date, the State's proportion was 20.07%, which was an increase of 47 basis points from its proportion measured as of the previous measurement date. For the year ended June 30, 2016, the State recognized total pension expense of $52.1 million. NHRS has adopted changes to certain economic and demographic assumptions since the measurement date of June 30, 2015. These changes resulted in an approximate 7% increase in the system-wide net pension liability measured as of June 30, 2016.

As of June 30, 2016, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to pensions in the primary government of $85.6 million and $49.1 million, respectively, from the following sources:

(in thousands)	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments		$21,245
Differences between expected and actual experience		17,444
Changes in employer proportion	$15,930	10,364
Contributions subsequent to the measurement date	69,700	
Total	$85,630	$49,053

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2017	$(14,551)
2018	(14,551)
2019	(14,551)
2020	10,669
2021	(139)
	$(33,123)

Actuarial Assumptions: NHRS total pension liability, measured as of June 30, 2015, was determined by a roll forward of the actuarial valuation as of June 30, 2014, for which the following actuarial assumptions were used:

Inflation	3.0%
Salary increases	3.75-5.8% average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 - June 30, 2010.

Long-Term Rates of Return: The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return: 2015
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
International Equities (unhedged)	13.00%	4.00%
Emerging International Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	(0.70%)
Short Duration	2.50%	(1.00%)
Global Multi-Sector Fixed Income	11.00%	0.28%
Unconstrained Fixed Income	7.00%	0.16%
Total fixed income	25.00%	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	25.00%	
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%, the same rate used for the prior year measurement of total pension liability. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are determined based on the expected payroll of current members only. Employer contributions are determined based on NHRS's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, NHRS's fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The following table illustrates the sensitivity of the State's proportionate share of NHRS's net pension liability to changes in the discount rate. In particular, the table presents the State's proportionate share of NHRS's net pension liability measured at June 30, 2015 assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate (in millions):

1% Decrease to 6.75%	Current single rate assumption 7.75%	1% Increase to 8.75%
$1,046.4	$794.9	$580.5

Pension Allocations: The Statewide amounts for net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense detailed above were allocated among governmental and business-type activities based on each reporting unit's share of the Statewide employer contribution to NHRS. Pension-related amounts for each reporting unit are as follows (expressed in thousands):

	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Business-type Activities	Primary Government
Proportionate share of Statewide amount	95.13%	1.24%	2.54%	0.46%	0.63%	4.87%	100.00%
Net pension liability	$756,212	$10,100	$20,141	$3,675	$4,805	$38,721	$794,933
Pension expense	49,582	607	1,329	246	351	2,533	$52,115
Deferred outflows of resources representing contributions subsequent to the measurement date	66,160	930	1,850	330	430	3,540	69,700
Deferred outflows of resources representing the changes in employer proportion	15,154	197	405	74	100	776	15,930
Deferred inflows of resources representing the differences between expected and actual experience	16,595	216	443	81	109	849	17,444
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	20,211	263	539	99	133	1,034	21,245
Deferred inflows of resources representing the changes in employer proportion	9,860	128	263	48	65	504	10,364
Amortization of deferred amounts:							
2017	(13,843)	(180)	(370)	(67)	(91)	(708)	(14,551)
2018	(13,843)	(180)	(370)	(67)	(91)	(708)	(14,551)
2019	(13,843)	(180)	(370)	(67)	(91)	(708)	(14,551)
2020	10,150	132	272	48	67	519	10,669
2021	(133)	(2)	(2)	(1)	(1)	(6)	(139)
Total	(31,512)	(410)	(840)	(154)	(207)	(1,611)	(33,123)
Sensitivity analysis:							
Net pension liability at 6.75% discount rate	995,537	12,956	26,573	4,814	6,546	50,889	1,046,426
Net pension liability at 8.75% discount rate	552,302	7,188	14,742	2,670	3,632	28,232	580,534

JUDICIAL RETIREMENT PLAN

Plan Description: The New Hampshire Judicial Retirement Plan (NHJRP), a single-employer 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. NHJRP 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, or from the State's website at http://www.nh.gov.

Members covered by benefit terms: As of December 31, 2015, the following members were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	62
Inactive members entitled to but not yet receiving benefits	1
Active or vested members	56
	119

The NHJRP is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System. The Board consists of 7 members, 2 of which are appointed by the Governor and Council and 1 of whom the Governor shall designate to serve as chairman of the Board of Trustees, and who shall be qualified persons with business experience and not members of NHJRP. The Chief Justice of the state supreme court shall appoint 3 trustees, at least 2 of whom shall be active members of NHJRP and one of whom may be a retired member of NHJRP. One member of the state senate and one member of the house of representatives shall be appointed biennially. Certain daily administrative functions of NHJRP have been delegated by the Board to the New Hampshire Retirement System such as retirement request processing, member record maintenance and serving as the NHJRP's information center. The NHJRP 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 NHJRP.

Any member of the NHJRP 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 creditable 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 NHJRP 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 NHJRP's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the NHJRP until they become eligible for a service retirement equal to 75% of their final year's salary. The State was required to and contributed 41% of the members' salary through June 30, 2013. Effective July 1, 2013 the State was required to and contributed 64.5% of the member's salary. For the year ended June 30, 2016, State contributions to the NHJRP totaled $5.3 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2016, the State reported a net pension liability of $39.1 million for the NHJRP. The NHJRP's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014, and was then projected forward to the measurement date. Changes in the components of net pension liability for the measurement period ended December 31, 2015 are as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2014	$83,398	$46,923	$36,475
Changes for the year:			
Service cost	2,693		2,693
Interest on total pension liability	5,642		5,642
Benefit payments	(5,694)	(5,694)	
Employer contributions		5,470	(5,470)
Member contributions		664	(664)
Net investment income		(249)	249
Administrative expenses		(208)	208
Balances as of December 31, 2015	$86,039	$46,906	$39,133

For the year ended June 30, 2016, the State recognized pension expense of $5.4 million for the NHJRP. As of June 30, 2016, the State reported deferred outflows of resources on its government-wide financial statements related to the NHJRP of $5.9 million from the following sources (in thousands):

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$3,012
Contributions subsequent to the measurement date	2,930
Total	$5,942

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2017	$770
2018	770
2019	771
2020	701
	$3,012

Actuarial Assumptions: The total pension liability in the January 1, 2014 actuarial valuation, which was projected forward to the measurement date of December 31, 2015, was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	2.25% as of July 1, 2014; 2.25% as of January 1, 2015; 3.00% per year thereafter, including inflation
Investment rate of return	7.00%

Mortality rates were based on the 1994 Group Annuity mortality table. Disabled Mortality rates were based on 80% of PBGC Disabled Mortality for men and 60% of PBGC Disabled Mortality for women.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 - June 30, 2010.

Long-Term Rates of Return: The long-term expected rate of return on NHJRP investments was selected from a best estimate range determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Following is a table presenting target allocations and long-term rates of return for 2015:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	0.70%	0.49%
Core Fixed Income	16.10%	1.85%
Inflation-Indexed Bonds	5.30%	0.98%
Large Cap US Equities	34.60%	4.15%
Small Cap US Equities	4.60%	4.39%
Developed Foreign Equities	15.80%	4.15%
Hedge Funds / Absolute Return	22.90%	2.68%
Assumed Inflation - Mean		2.75%
Assumed Inflation - Standard Deviation		2.00%
Portfolio Real Mean Return		3.77%
Portfolio Nominal Mean Return		6.52%
Portfolio Standard Deviation		11.49%
Long-Term Expected Rate of Return		**7.00%**

Discount Rate: The discount rate used to measure the collective total pension liability was 7.00%, the same rate used for the prior year measurement of total pension liability. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the NHJRP's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table illustrates the sensitivity of the NHJRP's net pension liability to changes in the discount rate. In particular, the table presents the net pension liability of NHJRP, calculated using the discount rate of 7.00%, as well as what the NHJRP's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate (expressed in thousands):

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	44,217	39,133	30,737

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 and prescription drug 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 $12.8 million, $13.1 million and $12.3 million, respectively, for the fiscal years ended June 30, 2016, 2015 and 2014. The medical subsidy component of contributions made by the State to NHRS amounted to $11.0 million in fiscal years 2016 and 2015, and $10.4 million in fiscal year 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 2016 (dollar amounts in thousands):

Annual Required Contribution	$152,663
Interest on net OPEB obligation	43,282
Adjustment to annual required contribution	(35,521)
Annual OPEB cost	160,424
Contributions made (pay-as-you-go)	(53,218)
Increase in Net OPEB Obligation	107,206
Net OPEB Obligation - Beginning of Year	961,817
Net OPEB Obligation - End of Year	**$1,069,023**

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016, 2015 and 2014 were as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/16	$160,424	$53,218	33.17%	$1,069,023
06/30/15	$155,048	$51,600	33.28%	$961,817
06/30/14	$145,317	$52,647	36.23%	$858,369

As of December 31, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was $2,138 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2,138 million. The covered payroll (annual payroll of active employees covered by the plan) was $563.3 million during fiscal year 2015 and the ratio of the UAAL to the covered payroll was 379 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, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return, a 3.75% inflation rate and projected salary increases of 3.75% per annum. The projected medical cost trend rate for under age 65 retirees is 5%. The projected medical cost trend rate for age 65 and over retirees is 5%. The drug cost trend rate is 11% initially, decreasing at 0.5% for 12 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, 2014, was thirty years.

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 be 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 $92.3 million of financial guarantees outstanding and statutory limits as of June 30, 2016 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2016 Principal	Interest	Total
Municipalities and Political Subdivisions						
Water Pollution Bonds	485-A:7	$50,000	$49,390	$580	$30	$610
School Construction Bonds	195-C:2	95,000	61,876	24,786	8,338	33,124
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	3,128	23,128
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	50,000	**	35,093	412	35,505
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	115,000	* 59,907	55,093	3,540	58,633
Pease Development Authority - Guarantees for Loans	12-G:31	70,000	13,910			
Pease Development Authority - Guarantees for Development	12-G:33	35,000	35,000			
Pease Development Authority - Guarantees for Development	12-G:35	10,000	10,000			
Housing Finance Authority - Child Care Loans	204-C:79	300	300			
Totals		$405,300	$260,383	$80,459	$11,908	$92,367

* Plus Interest

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

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 2016 for governmental activities and business-type activities were approximately $22.3 million and $6.6 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, 2016 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2017	8,120	5,817
2018	5,419	5,880
2019	4,320	5,158
2020	3,375	4,845
2021	2,936	4,437
2022-2026	12,411	16,882
2027-2031	1,761	3,470
2032-2036		2,619
2037-2041		54
Total	$38,342	$49,162

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, 2016 are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2017	579	125
2018	474	125
2019	338	125
2020	507	125
2021	88	104
2022-2026	387	
Total	2,373	604
Amount Representing Interest	(428)	(251)
Present Value of Minimum Lease Payments	$1,945	$353

The assets acquired through capital leases and included in capital assets at June 30, 2016 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$1,104	
Buildings & Building Improvements	4,792	$1,563
Total	5,896	1,563
Less: Accumulated Depreciation	(4,233)	(1,051)
Net	$1,663	$512

14. LITIGATION

Department of Health and Human Services (DHHS)

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-FY11. These administrative appeals were settled for $1.4 million, with the State retaining the right to recover the appropriate federal match. 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. On February 10, 2015, the trial court partially dismissed the lawsuit on the grounds of mootness, but found that because Harbor Homes was not a party to the settlement, its claim under Count II for injunctive relief and attorneys' fees was not rendered moot. It further declined to enter judgment for Harbor Homes on Count II, and that claim remains pending before the trial court. The court transferred this case to Merrimack Superior Court and consolidated it with *Harbor Homes v. DHHS* (discussed below). The parties filed cross motions for partial summary judgment on Harbor Homes' procedural due process claim, and the court granted Harbor Homes' motion. The court gave Harbor Homes until October 1, 2015 to file a memorandum in support of its request for attorney's fees. That deadline was extended twice. Harbor Homes filed its request for attorneys' fees on December 3, 2015, seeking $210,479 in attorneys' fees and $8,955 in costs. The State objected to Harbor Homes' request for attorney's fees, but the court granted Harbor Homes the full amount of the fees and costs requested. The parties mediated this matter, along with the Harbor Homes v. DHHS matter (below) on February 19, 2016 and reached a settlement which included settling the procedural due process claim for the full amount of attorney's fees and costs awarded by the court. This matter is now closed.

Harbor Homes v. DHHS

Harbor Homes filed a separate breach of contract and procedural due process lawsuit. This complaint is derivative of a lawsuit previously filed in Merrimack Superior Court on June 28, 2011, *Dube et al. v. State of New Hampshire, et al*, DHHS filed a motion to dismiss on August 28, 2014, to which Harbor Homes has objected. Harbor Homes also filed an amended complaint, to add claims against DHHS Commissioner Toumpas in his individual capacity. A motion to dismiss the amended complaint has also been filed, and the plaintiff has objected. A hearing on the motions to dismiss was held on March 23, 2015. The court granted the motion to dismiss in part and denied it in part. The court dismissed Harbor Homes' duplicative procedural due process claim, and dismissed its claim against the commissioner as an individual defendant, but allowed the breach of contract claim to go forward. Discovery on the breach of contract claim is currently underway. Both parties filed cross motions for summary judgment on Harbor Homes' breach of contract claim. On February 16, 2016, the court granted Harbor Homes' motion for summary judgment. Harbor Homes was seeking over $3 million in damages. The parties mediated the case on February 19, 2016 and settled the breach of contract claim for $1,350,000. This matter is now closed.

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. Following St. Joseph's settlement with the State, agreeing to the terms of the global settlement, the parties filed a motion for administrative closure. Under both the global agreement and St. Joseph's agreement, this matter is to be administratively closed subject to a right to bring forward the action. The plaintiffs further agreed that if funding for fiscal years 2015, 2016, and 2017 as set out in the global agreement is met, the plaintiffs will move to dismiss this action, with prejudice, by July 1, 2018. Although it is not expected that the claim by St. Joseph's Hospital will exceed $4.5 million, and the agreed upon funding will be appropriated, 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. Following St. Joseph's settlement with the State, agreeing to the terms of the global settlement, the parties filed a motion for administrative closure. Under both the global agreement and St. Joseph's agreement, this matter is to be administratively closed subject to a right to bring forward the action. The plaintiffs further agreed that if funding for fiscal years 2015, 2016, and 2017 as set out in the global agreement is met, the plaintiffs will move to dismiss this action, with prejudice, by July 1, 2018. Although it is expected that the claim by St. Joseph's Hospital will be no more than $4.5 million, and the agreed upon funding will be appropriated, 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 plaintiff also challenges the validity of the applicable administrative rule (He-W 654.04(c)) and seeks a permanent injunction. SB 198, effective January 13, 2012, changed State law to count children receiving SSI in the family assistance group. On June 16, 2015, the Merrimack County Superior Court granted DHHS's Motion for Summary Judgment. The Court held that the inclusion of children's SSI income when calculating TANF eligibility was lawful and that it could not find that administrative rule He-W 654.04(c) interfered with or impaired a family's legal rights as defined under either federal or state law. NHLA appealed to the New Hampshire Supreme Court. Briefing of the matter is ongoing. Oral argument was held on January 13, 2016. Subsequent to oral argument, the New Hampshire Supreme Court issued an order inviting the U.S. Solicitor General to file an amicus brief. On August 2, 2016, the N.H. Supreme Court issued its opinion, reversing and remanding the matter to Superior Court. A status conference was held on September 22, 2016. At that conference, NHLA indicated it would send its request for attorneys' fees to the State. The State paid $134,612 in attorneys' fees to NHLA. The matter is now closed.

Katherine Frederick v. DHHS

The initial 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, Title VII, and RSA 275-E. The court dismissed the plaintiff's original complaint filed holding that the law does not recognize a right to breastfeed (as opposed to expressing milk) in the workplace. The court did, however, provide the plaintiff with leave to file an amended complaint, which she did in November 2015. Plaintiff's new complaint raised claims under the ADA, Title VII, and for wrongful termination. DHHS filed a motion to dismiss these claims on exhaustion and statute of limitations grounds, as well as for the failure to state a claim upon which relief can be granted. On August 16, 2016, the court granted DHHS' motion as to the Title VII claim, but denied it with regard to the ADA and wrongful termination claims. On October 26, 2016, DHHS filed a motion for judgment on the pleadings, asserting Eleventh Amendment immunity. That motion is pending. If successful, the remaining claims will be dismissed, but Plaintiff will be able to re-file in state court. It is not known at this stage how much the plaintiff is seeking in damages. Therefore, it is not possible to predict the outcome of this case at this time.

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 (Northeast) 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 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 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 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 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 July 14, 2015, the superior court granted the State's motion to dismiss St. Joseph's claim on grounds of mootness. St. Joseph has not appealed that decision; therefore, St. Joseph's claims relating to the 2011 tax year are concluded. All that remains of this litigation are CMS and Exeter's claims, which are administratively closed pursuant to the global settlement agreement. Pursuant to the Agreement, CMS and Exeter's claims can only be revived if the legislature fails to appropriate the requested funds and precludes the State from complying with this Agreement.

State v. Priceline, Inc. et al.

This action seeks to recover unpaid Meals and Rooms Tax ("M&R Tax") and penalties, as well as penalties under the Consumer Protection Act ("CPA"), from online travel companies ("OTCs"). The lawsuit alleges M&R Tax is due on the retail rate paid by the consumers to the OTCs, that the OTCs collect this tax from consumers, but that the OTCs do not remit any tax to the State. The OTCs allege they provide the equivalent of the M&R Tax due on the wholesale rate, as opposed to the retail rate, rate to hotels and rental car companies. The complaint also alleges the OTCs use deceptive and misleading practices in violation of the CPA. The parties' cross motions for summary judgment were denied and the case is scheduled for trial on May 4, 2017. If successful, the litigation could result in a recovery in excess of $4 million, but the outcome is uncertain and the losing party will likely appeal to the NH Supreme Court.

Michael Gill v. DRA; The Mortgage Specialists, Inc. v. DRA

The NH Supreme Court affirmed a consolidated lower court decision granting summary judgment in favor of the State in this appeal of administrative decisions that Mr. Gill and The Mortgage Specialists owe taxes. The total amount owed, with penalties and interest, is approximately $3.9 million. The State has initiated collection efforts, and believes the taxpayers have sufficient assets to pay at least a substantial portion of the taxes, penalties and interest. Collections to date have totaled approximately $310 thousand.

Retirement System

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

This suit challenges portions of HB 2 that affect the State Retirement System. Petitioners challenge 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 HB 2. Petitioners seek an order finding HB 2 is unconstitutional under the Contracts and Takings Clauses of both the New Hampshire Constitution and the United States Constitution. Petitioners also sought injunctive relief, payment of damages and attorneys' fees. The issues raised in this lawsuit are similar to the issues raised in Firefighters I. The trial court issued a preliminary order in May 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" and did not issue an injunction. In light of the Supreme Court's decisions in Firefighters I and American Federation of Teachers, the trial court vacated this ruling and ordered the State to file a motion seeking judgment in its favor on the grounds that the former pension laws created no protectable contractual rights. In February 2016, the court granted this motion, resulting in dismissal of the case. The plaintiffs appealed to the NH Supreme Court, which issued a final opinion affirming this order in October 2016. This matter is now closed.

Liquor Commission

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

In March 2012, the NHSLC issued an 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. The motion was denied. XTL filed a motion for partial summary judgment six weeks before the trial was set to begin. NHSLC has since filed a cross motion for summary judgment. Following the submission of summary judgment memoranda, the court heard oral argument on the cross motions on November 10, 2015. On January 4, 2016 the court issued its order on the cross motions for summary judgment, denying both parties' motions. On May 23, 2016, trial commenced in this matter, which lasted eight days. The parties filed post-trial memoranda on July 22, 2016. On September 8, 2016, the Court issued an order rejecting XTL's claims and finding for NHSLC. In doing so, the Court found that the RFP, evaluation process, and contract award to Exel were lawful and in compliance with New Hampshire competitive bidding law. On October 7, 2016, XTL filed a timely appeal of the trial court's order through which it raised five appellate issues. The NHSLC subsequently filed a narrow cross-appeal raising one issue. The NH Supreme Court has not issued a briefing schedule in this matter. 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). The groundbreaking ceremony occurred on August 18, 2016 and the facility is expected to be completed by fall of 2017. The case continues to be stayed. A status conference scheduled for January 11, 2017 was removed from the court's docket, as the parties agreed it was unnecessary. 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, 2015 is $78.8 million. 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 trial court awarded the State $1.9 million in expert costs. 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. Exxon/Mobil filed an appeal. Except for the jury verdict against Exxon, no adjustments will occur relative to the settlement amounts. Those are all bound by 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. Oral argument occurred on May 21, 2015. The State prevailed before the State Supreme Court and Exxon filed a petition for a writ of certiorari with the U.S. Supreme Court, and the State filed its objection on April 5, 2016. The State prevailed before the U.S. Supreme Court and, on June 1, 2016, Exxon/Mobil transferred $307 million to the State. This matter is now closed.

Other Matters

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

This is a civil action initiated by a general contractor against the Department of Administrative Services ("DAS"), Department of Resources and Economic Development ("DRED") and two DAS employees, regarding a contract to construct 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 State defendants filed cross claims against the plaintiff in this matter. The plaintiff has disclosed expert reports supporting a claim for $2.1 million in damages. The parties unsuccessfully attempted to mediate this case in October of 2015. The State filed a motion for partial summary judgment seeking dismissal of all claims except the breach of contract claim. The parties have agreed to settle the claims and the matter was closed in January 2017.

Rand v. Lavoie, et al. (Wendy Lawrence v. New Hampshire State Police)

The complaint, brought on behalf of the estate of Wendy Lawrence, arises from an officer-involved fatal shooting. On September 30, 2013, Ms. Lawrence initially fled from State Police during a traffic stop on Interstate 89. Following a couple of pursuits, eventually, the State Police were able to stop her after she traveled into Manchester. While she was stopped in Manchester, defendant Chad Lavoie attempted to take her into custody. Ms. Lawrence refused to surrender and ultimately began to drive at defendant Lavoie. Defendant Lavoie shot her, and she died later that evening. The original complaint alleged 42 U.S.C. §1983 claims alleging violations of Ms. Lawrence's Fourth, Fifth, and Fourteenth Amendment rights under the U.S. Constitution, as well as a wrongful death claim. The State obtained judgment on the pleadings with regard to the Fifth and Fourteenth Amendment claims. The plaintiff amended the complaint to add the Department of Safety as a defendant and a claim that essentially alleges that the Department failed to train, supervise, and discipline the troopers to recognize symptoms of a disability under the Americans with Disabilities Act (ADA), offer reasonable accommodations to Ms. Lawrence, and discriminated against her. The plaintiff seeks enhanced com-

pensatory and punitive damages. On September 12, 2016, the State filed a motion for summary judgment on all claims. Trial was scheduled for February 2017. The plaintiff has since voluntarily non-suited the ADA claim with prejudice. The state has filed a notice of its intent to ask for fees and costs on the basis that it was a frivolous claim that the plaintiff failed to prosecute. Given the pending summary judgment motion, certain deadlines have been extended until after the issuance of a summary judgment order and the February trial has been suspended pending the outcome of an order on summary judgment. It is not possible to predict the outcome of this case at this time.

City of Dover v. State of New Hampshire

In this case, filed August 20, 2015, the City of Dover challenges the State's distribution of education aid to municipalities as a violation of the state constitutional entitlement to an adequate education, insofar as the statutory distribution scheme imposes a "cap" limiting the aid that a particular municipality can receive in a particular year to 108% of the aid it received in the prior year. The suit seeks both prospective and retrospective relief against the cap, which has been in effect since 2009. If the request for prospective relief is successful, it will require a restructuring of the State's formula for distributing education aid to municipalities. If the request for retrospective relief is successful, it would require paying the City of Dover the difference between the aid they received in each of those years and the aid they would have otherwise gotten, but for the cap. While the aggregate amount of that potential exposure has not yet been calculated for all fiscal years at issue, the total amount of aid to all municipalities withheld on the basis of the cap for fiscal year 2016 will be approximately $10.44 million. Shortly after the suit was filed, the State entered into a stipulation agreeing that any final rulings regarding the constitutionality of the cap would apply not only to Dover, but to all other municipalities affected by the cap.

On September 6, 2016, the Superior Court issued a final order ruling that the cap is unconstitutional but limiting Dover to prospective relief. In effect, this ruling entitles Dover to the $1.377 million it would have received but for the cap in fiscal year 2016. It is the State's position that this ruling also entitles the twenty-four other municipalities to the difference between the amount they would have received in fiscal year 2016 and the amount they actually received due to the cap; in total, the amount for the other municipalities is approximately $9.065 million. On September 26, 2016, the State agreed to settle the lawsuit with Dover by paying the $1.377 million. The approximately $9.065 million for the other municipalities will have to be appropriated by the Legislature in accordance with RSA 14:35-b. A bill will be submitted for the 2017 legislative session. The entire $10.44 million withheld due to the cap was recorded as an expense and liability in the accompanying financial statements.

Bedford School District and William Foote v. State of New Hampshire, et. al.

The Bedford School District and Mr. Foote, a taxpayer in Bedford, sued the State arguing that Bedford did not receive all of the education adequacy payments for fiscal year 2016 and would not receive all of the education adequacy payments for fiscal year 2017. A hearing was held on June 29, 2016, where Bedford's request for a preliminary injunction was denied. The State filed an Answer objecting to Bedford's claim for adequacy payments from fiscal year 2016 as being untimely filed thus barring it by sovereign immunity. Bedford will receive its fiscal year 2017 adequacy payments in the ordinary course from funds already appropriated for that purpose. Bedford has filed a motion for summary judgment arguing that the State should be ordered to make the 2016 adequacy payments. The State has objected to that motion, which is currently pending. It is not possible to predict the outcome of this case at this time.

Xerox State and Local Solutions, Inc. v. Department of Transportation et al

In this case, filed in October 2015, Xerox, is suing the Department of Transportation ("DOT") to challenge the selection of another vendor for the contract award of the operation of the back office systems for the E-Z Pass program in New Hampshire. Xerox is the current vendor and was not the winning bidder for the new contract that was awarded on October 7, 2015. The contract award was to Cubic for design, testing, installation and maintenance services for the operation of the NH E-Z Pass Back Office for the Turnpike System, in the amount of $51,889,725. Xerox alleges the bidding process was flawed and is seeking to void the contract, to enjoin the DOT from continuing implementation of the contract with Cubic, and damages. Xerox has provided an expert opinion opining that as a result of the loss of the procurement at issue in this case, Xerox incurred damages in the amount of $238,499 for bid preparation and $2,110,645 in lost profits. The Court dismissed the counts seeking equitable relief leaving only the counts seeking damages. It is anticipated that DOT will file a motion for summary judgment on the remaining claims by February 2017. Trial is scheduled for May 2017. It is not possible to predict the outcome of this case at this time.

State v. Volkswagen, et al

In September of 2015, a number of states engaged Volkswagen and related companies to discuss litigation related to the company's "defeat devices". These devices disabled the emissions control systems on all affected vehicles during normal, "on road" conditions As part of a settlement between Volkswagen, the California Air Resources Board (CARB) and the U.S. EPA, New Hampshire opted-in to provisions which will provide it approximately $6 million to resolve state consumer claims and $29 million in environmental mitigation (restitution to owners was covered separately through the plaintiffs' steering committee and will result in recalls, buybacks, and cash payments). On September 15, 2016, the State sued Volkswagen for the one remaining issue, environmental penalties. Possible liability for Volkswagen is more than $2 million, but a likely litigation or settlement result is, at this point, unknown.

Conservation Law Foundation, Inc. v. Pease Development Authority, et al and Notice of Intent to File Suit Against Pease Development Authority

On September 8, 2016, the Conservation Law Foundation (CLF) gave notice to the Pease Development Authority (PDA) that it intends to file suit pursuant to Section 7002 of the Resource Conservation and Recovery Act (RCRA) for violations related to PDA's storage and disposal of perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS). CLF alleges that PDA is discharging stormwater to the waters of the United States which convey discarded PFOA and PFOS into the waters thereby jeopardizing the health of individuals, wildlife, and the environment in the vicinity of the waters into which PDA discharged the PFOA and PFOS. CLF will seek injunctive relief to remediate the effects of the PFOA and PFOS in and around Pease, including removal of PFOA and PFOS from the site; containment of PFOA and PFOS present on-site so that stormwater runoff and groundwater cannot be contaminated; and any and all other legal and equitable relief that may be necessary to

terminate the alleged imminent and substantial endangerment to human health or the environment posed by PFOA and PFOS. CLF will also seek recovery of costs and fees, including reasonable attorney and expert witness fees associated with this matter. On November 10, 2016, CLF filed the Complaint pursuant to Section 505 of the Clean Water Act. PDA will file its answer or dispositive motion as required.

On the same date, CLF also gave notice to PDA of its intent to file suit pursuant to Section 505 of the Federal Water Pollution Control Act (Clean Water Act) for the following violations: (1) discharging stormwater from systems of conveyances to the waters of the United States without a permit; (2) failure to obtain coverage under the required Clean Water Act National Pollutant Discharge Elimination System permit; and (3) failure to comply with the specific requirements of any such permit. CLF alleges that each separate violation of the Clean Water Act subjects PDA to a penalty of up to $37,500 per day per violation for all violations occurring from January 2009 through November 2015 and $51,570 thereafter, if assessed on or after August 1, 2016. CLF states that it will seek the full penalties allowed by law, as well as recovery of costs and fees, and in addition to civil penalties, will seek declaratory and injunctive relief to prevent further violations. CLF has yet to file litigation pursuant to RCRA. It is not possible to predict the outcome of these cases at this time.

Fair Labor Standards Act

On January 9, 2015, the State determined that it would proceed as a single employer under the Fair Labor Standards Act meaning that all State agencies would be considered to be one employer. As a result of this decision, State employees who had been employed at more than one agency had to be reviewed to determine if they could maintain multiple positions as overtime payments might be required. The United States Department of Labor ("USDOL") became aware of the State's decision and reviewed the multiple employees who were employed at the New Hampshire State Liquor Commission. After the investigation, the State agreed to settle with USDOL and paid 34 current and former employees overtime and liquidated damages in the total amount of $65,986. The Liquor Commission matter is now concluded. USDOL did a follow-up investigation regarding multiple employees at the Department of Corrections in which 10 employees were identified as being owed back wages of $35,914. The payments were made in January 2016 and the final report of payments was due to USDOL in March 2016. All payments were made with some uncashed funds remitted to USDOL, thus this matter is now concluded. USDOL also investigated whether the E-911 telecommunicators were appropriately compensated for overtime based on their complex 24 hour schedule. After the investigation, the State agreed to settle with the USDOL and paid 62 current and former employees back wages and liquidated damages in the amount of $24,577 and civil money penalties to USDOL in the amount of $27,280. In December 2016, four additional telecommunicators were identified who should have been included in the settlement and their claims were settled with the USDOL for a total of $1,156. The E-911 matter is now concluded. All matters with the USDOL are now concluded.

NIMCO Real Estate Assoc., LLC v. Nadeau, et al – U.S. District Court

The Plaintiffs are NIMCO Real Estate Associates, LLC (owned by 1 Pine Street Extension prior to condemnation in 2003); Ultima Nashua Industrial Corporation (tenant of 1 Pine Street Extension, Nashua filed eviction action which resulted in writ of possession on July 20, 2016, but appeal is pending); and Dr. Anoosh Kiamanesh (aka "Dr. Kia")(Manager of NIMCO, and sole Director/President of Ultima). The Defendants are Gregory Nadeau, Administrator of Federal Highway Administration; the City of Nashua; and the NH Department of Transportation ("NHDOT").

The Plaintiffs have filed a nine count Complaint (Counts I-IX) against the defendants seeking $25 million in damages and equitable relief. The State is named as a Defendant only in one count (Count II). Plaintiffs allege three separate causes of action within this count, alleging that the State violated: (1) RSA 124-A:1, et seq. (the State's law which provides for payment of relocation costs for persons displaced by eminent domain takings), (2) the Uniform Relocation Assistance and Real Property Acquisition Act, (the "URA") 42 USC4601, et seq., and (3) Part I, Article 1 of the NH State Constitution. Plaintiffs indicate that they are seeking equitable relief only against the State in the sub-heading of the Complaint. The State filed a motion to dismiss on the basis of sovereign immunity, statute of limitations, failure to exhaust administrative remedies, eleventh amendment immunity, and that the URA does not create a private right of action. The Federal Highway Administrator filed a Motion to Dismiss alleging failure to exhaust administrative remedies and that the URA does not create a private right of action. The State joined in the motion. The City of Nashua has filed a three count cross-claim against the State. Count I claims that NHDOT is negligent in two respects. First, it claims that the NHDOT was negligent acting as an agent for the City, when it failed to charge and collect fair market rent as is required by Federal regulations, 23 C.F.R. 710.403, from 2004 to 2010. Second, that NHDOT was negligent in failing to follow federal and state law by failing to provide relocation assistance. Count II alleges that NHDOT breached its "agreements" with the City by failing to collect fair market rent, although it does not spell out specifically what agreement or provision required NHDOT to do this. Count III only states "To the extent Plaintiffs recover any amount against the City, NHDOT is obligated to indemnify the City." The Complaint does not cite anything (an agreement, federal or state law, etc.) to support its claim for indemnity. The State filed a motion to dismiss Nashua's cross-claims against the State arguing that the cross-claims are barred by the statute of limitations, sovereign immunity, as well as other grounds. To date, no party has filed an objection to the State's Motion to Dismiss the City's cross-claims. In January 2017, after the City evicted Plaintiffs and retook possession of the premises, Plaintiffs filed a Motion for a Preliminary Injunction against the City seeking to prevent the City from dismantling or removing the machines located inside the premises, which it claims are worth $12 million. The City 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 constraints and related amounts by fund at June 30, 2016 follows:

Governmental Fund Balances - Restricted, Committed and Assigned
(expressed in thousands)

	Restricted	Committed	Assigned
General Fund:			
General Government	$18,711	$5,900	$7,538
Administration of Justice & Public Protection	29,434	24,623	4,211
Resources Protection & Development	393,580	3,888	3,090
Transportation	1,483		
Health & Human Services	36,285		4,612
Education	7,133		5,511
Total	486,626	34,411	24,962
Highway Fund:			
General Government			
Administration of Justice & Public Protection	5,929		
Resources Protection & Development	105		
Transportation	106,011		
Total	112,045		
Education Trust Fund:			
Education			4,557
Total			4,557
Non-Major Governmental Funds:			
Resources Protection & Development	3,286	2,028	1,086
Other Purposes	8,941		
Total	$12,227	$2,028	$1,086

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 non-lapsing account. Prior to the 2016 legislative session, in any single fiscal year the total of such transfer could not exceed ½ of the total potential maximum balance allowable which is defined by the statute as 10% of the actual General Fund unrestricted revenues for the most recently completed fiscal year. Chapter 237 of the 2016 legislative session repealed the law which capped the single year transfer amount. 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, 2015 increased by $13.0 million to $22.3 million, up from $9.3 million at June 30, 2014. Per Chapter 276:43 of the Laws of 2015, $49 million of the Unassigned balance at June 30, 2015 remained in the general fund. In May 2016, the United State Supreme Court issued a final decision to uphold a verdict in favor of the State related to the State v. Exxon for MtBE water contamination. In accordance with RSA 7:6-e, 10 percent of the $300 million verdict plus interest went to the State's Rainy Day Fund, increasing the balance of the fund to $53 million.

According to the governing statute, transfers into the Rainy Day Fund only occur in the second year of a biennium. However, per Chapter 264 of the 2016 legislative session, to the extent the results of the fiscal year 2016 audited financial statements show that unrestricted General fund and Education Trust Fund revenues exceed the plan, an amount not to exceed $40 million will be transferred to the Revenue Stabilization Reserve Account. According to the audited results, these revenues exceeded budget by $150.5 million, and $40 million was transferred into the Rainy Day Fund bringing that balance as of June 30, 2016 to $93 million, leaving $88.5 million to remain in the General Fund at the beginning of fiscal year 2017.

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, Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. For the year ended June 30. 2016, the Lottery recognized $7.7 million of net income from Tri-State. At June 30, 2016 Tri-State reported total installment prize obligations owed to jackpot winners of $30.6 million, payable through the year 2045.

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 $1.7 million at June 30, 2016. 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, 2016, the Lottery recognized $24.0 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 $2.3 million at June 30, 2016. 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 twenty-two states' lotteries and the District of Columbia. 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 pay-out. 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, 2016, New Hampshire's total share of the net operating income for Lucky for Life was $1.9 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. There are no prize reserves held by MUSL for this game.

The State's total share of accrued prize and operating amounts due at June 30, 2016 amounted to $2.3 million, representing MUSL prize reserves which could be returned to the State's Education Trust Fund.

17. SUBSEQUENT EVENTS

General Obligation Capital Improvement Bonds:

The State issued $3.9 million General Obligation Capital Improvement Bonds 2016 Series A through a private placement with the New Hampshire Municipal Bond Bank ("NHMBB") which closed on July 14, 2016. These bonds were issued with an overall true-interest-cost of 1.99%, which, as is the case with all such NHMBB bond placements, reflects a cost of funds based on the prevailing market rates for credit similar to the State's at the time the bonds are issued. This is the eighth transaction of its kind since 2009, providing an investment for the NHMBB to hold in its Debt Service Reserve Fund while providing the State with low-cost financing to fund capital spending.

Additionally, the State issued $63.4 million General Obligation Capital Improvement Bonds 2016 Series B through a competitive sale which priced on November 17, 2016 and closed on November 30, 2016, resulting in an overall true-interest-cost (TIC) to the state of 2.80% with coupons ranging from 3.00% to 5.00% and with final maturity on June 1, 2036. The proceeds of these bonds (in addition to the amount described above) will be used to fund all or part of various capital projects of the State.

The State also issued $50.9 million General Obligation Refunding Bonds 2016 Series A through a competitive sale which also priced on November 17, 2016 and closed on November 30, 2016, resulting in an overall true-interest-cost (TIC) to the state of 1.69% with coupons at 5.00% and final maturity on October 15, 2024. These bonds were used to refund $53.8 million of existing outstanding bonds which resulted in an overall net present value savings of $2.8 million, or 5.17% savings on the refunded bonds.

Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) Notes:

Under the TIFIA loan agreement, the State has the ability to draw up to $200 million in funds as described in Note 5 to the Financial Statements. During the period July 1, 2016 through December 15, 2016, an additional $11.6 million of TIFIA proceeds had been received under this arrangement, representing a long-term note payable.

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, 2016
(Expressed in Thousands)

	General Fund			
	Budgeted Amount			
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
General Property Taxes	$228	$228	$283	$55
Special Taxes	1,119,564	1,111,623	1,200,394	88,771
Personal Taxes	124,682	124,682	132,345	7,663
Business License Taxes	21,924	21,933	22,580	647
Non-Business License Taxes	127,303	127,349	123,726	(3,623)
Fees	181,286	191,273	175,019	(16,254)
Fines, Penalties and Interest	10,137	11,401	7,875	(3,526)
Grants from Federal Government	1,944,432	2,254,945	1,835,321	(419,624)
Grants from Private and Local Sources	194,209	194,419	168,783	(25,636)
Rents and Leases	2,167	2,825	1,600	(1,225)
Interest Premiums and Discounts	13,749	13,835	17,950	4,115
Sale of Commodities	12,241	18,060	13,193	(4,867)
Sale of Services	36,349	36,547	28,148	(8,399)
Assessments	72,677	80,494	70,356	(10,138)
Grants from Other Agencies	171,232	173,028	134,395	(38,633)
Miscellaneous	1,434,399	586,116	671,933	85,817
Total Revenue	5,466,579	4,948,758	4,603,901	(344,857)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	20,149	20,474	15,735	4,739
Executive	38,888	39,388	27,737	11,651
Information Technology	74,433	73,379	58,246	15,133
Executive Council	235	236	220	16
Administrative Services	126,936	131,171	123,454	7,717
Sec of State	11,033	15,279	9,945	5,334
Cultural Affairs	9,767	10,019	5,676	4,343
Revenue Administration	20,063	20,900	18,196	2,704
State Treasury	90,213	94,068	82,443	11,625
NH Retirement System	7,588	7,599	6,605	994
Developmental Disabilities Council	997	1,016	477	539
Office of Professional Licensure and Certification	7,772	8,271	6,912	1,359
Boards and Commissions	943	944	879	65
Total	409,017	422,744	356,525	66,219
JUSTICE AND PUBLIC PROTECTION				

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, 2016
(Expressed in Thousands)

	General Fund			
	Budgeted Amount			
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Judicial Branch	84,254	86,886	79,485	7,401
Adjutant General	26,128	28,830	18,272	10,558
Agriculture	6,771	6,908	4,410	2,498
Justice Department	50,503	120,222	30,937	89,285
Bank Commission	5,807	5,838	5,054	784
Insurance	14,926	16,867	10,900	5,967
Labor	9,469	24,604	24,604	
Public Utilities Commission	35,867	57,155	41,701	15,454
Safety	114,598	137,278	99,202	38,076
Corrections Department	110,921	113,210	111,460	1,750
Employment Security	72,587	73,728	30,080	43,648
Judicial Council	25,819	26,360	26,152	208
Human Rights Commission	662	673	625	48
Boards and Commissions	424	425	407	18
Total	558,736	698,984	483,289	215,695
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development	90,922	99,046	52,951	46,095
Pease Development Authority	661	665	485	180
Environmental Services	127,161	134,219	75,260	58,959
Development Finance Authority	171	171	171	
Boards and Commissions	50	67	67	
Total	218,965	234,168	128,934	105,234
TRANSPORTATION				
Transportation	25,156	28,387	9,397	18,990
Total	25,156	28,387	9,397	18,990
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	137,485	143,336	115,494	27,842
Office of Health Management	114,375	121,494	79,389	42,105
Transitional Assistance	104,335	104,301	83,984	20,317
Office of Medicaid & Business Policy	1,084,666	1,386,119	1,330,948	55,171
Behavioral Health	52,969	41,792	28,363	13,429
Developmental Services	315,765	316,674	298,308	18,366
N H Hospital	68,786	65,435	58,380	7,055
Glencliff Home	15,585	15,775	13,510	2,265
N H Veterans Home	33,157	32,757	29,763	2,994

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, 2016
(Expressed in Thousands)

	General Fund			
	Budgeted Amount			
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Veterans Council	478	493	512	(19)
Human Services	178,699	179,440	161,342	18,098
Elderly and Adult Services	470,516	449,166	421,327	27,839
Community Based Care Svc	54,793	59,470	24,312	35,158
Total	2,631,609	2,916,252	2,645,632	270,620
EDUCATION				
Department of Education	389,675	393,070	276,111	116,959
NH Comm. Tech. College System	42,500	42,501	42,501	
Police Standards and Training Council	3,360	3,508	2,968	540
University of New Hampshire	81,000	81,000	81,000	
Total	516,535	520,079	402,580	117,499
Debt Service	119,587	119,587	119,587	
Capital Outlays	17,064	17,064	17,064	
Total	4,496,669	4,957,265	4,163,008	794,257
Excess (Deficiency) of Revenues Over (Under) Expenditures	969,910	(8,507)	440,893	449,400
Other Financing Sources (Uses)				
Transfers In	760	760	776	16
Transfers Out	(102,984)	(102,984)	(79,365)	23,619
Miscellaneous			(668)	(668)
Total Other Financing Sources (Uses)	(102,224)	(102,224)	(79,257)	22,967
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	867,686	(110,731)	361,636	472,367
Fund Balance - July 1	512,723	512,723	512,723	
Fund Balance - June 30	1,380,409	401,992	874,359	472,367

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, 2016
(Expressed in Thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$156,953	$156,953	$179,799	$22,846
Non-Business License Taxes	58,404	58,404	67,020	8,616
Fees	53,175	52,301	18,356	(33,945)
Fines, Penalties and Interest	8,338	8,329	7,227	(1,102)
Grants from Federal Government	476,423	675,136	157,275	(517,861)
Grants from Private and Local Sources	12,983	12,983	2,940	(10,043)
Rents and Leases	214	214	149	(65)
Sale of Commodities	756	18,756	13,480	(5,276)
Sale of Services	5,474	5,304	4,955	(349)
Grants from Other Agencies	12,593	12,377	10,312	(2,065)
Miscellaneous	68,509	70,655	26,974	(43,681)
Total Revenues	853,822	1,071,412	488,487	(582,925)
EXPENDITURES				
Justice and Public Protection	95,258	97,588	56,927	40,661
Resource Protection and Development	1,727	1,737	1,631	106
Transportation	800,695	1,016,242	403,720	612,522
Debt Service	31,830	31,830	31,830	
Capital Outlays	11,121	11,121	11,121	
Total Expenditures	940,631	1,158,518	505,229	653,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	(86,809)	(87,106)	(16,742)	70,364
OTHER FINANCING SOURCES (USES)				
Transfers Out		(2,163)	(2,255)	(92)
TIFIA Loan Authorization			200,000	200,000
Miscellaneous			671	671
Total Other Financing Sources (Uses)		(2,163)	198,416	200,579
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(86,809)	(89,269)	181,674	270,943
Fund Balance - July 1	461,459	461,459	461,459	
Fund Balance - June 30	$374,650	$372,190	$643,133	$270,943

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, 2016
(Expressed in Thousands)

	Education Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$404,400	$404,400	$406,393	$1,993
Special Taxes	336,224	336,224	387,786	51,562
Personal Taxes	98,060	98,060	94,658	(3,402)
Fines, Penalties and Interest			1	1
Grants from Federal Government				
Miscellaneous	40,000	40,000	40,000	
Total Revenues	878,684	878,684	928,838	50,154
EXPENDITURES				
Education	958,433	960,676	956,676	4,000
Total Expenditures	958,433	960,676	956,676	4,000
Deficiency of Revenues Under Expenditures	(79,749)	(81,992)	(27,838)	54,154
OTHER FINANCING SOURCES (USES)				
Transfers In		78,627	78,627	
Total Other Financing Sources Uses		78,627	78,627	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(79,749)	(3,365)	50,789	54,154
Fund Balance - July 1	(71,830)	(71,830)	(71,830)	
Fund Balance - June 30	$(151,579)	$(75,195)	$(21,041)	$54,154

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, 2016

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 2016, 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 (HB1) September 16,2015 with an effective date of July 1, 2015, 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, 2015 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, 2016 (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)	$361,636	$181,674	$50,789
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	136,786	(632)	41
To Record change in Accounts Receivable	(309,919)	(4,090)	(79,185)
To Record Other Financing Sources (Uses)	207,507	(189,902)	28,610
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (GAAP Basis)	$396,010	$(12,950)	$255

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

Required Supplementary Information (Unaudited)
INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability ("AAL") for benefits was $2,138 million, with no actuarial value of assets, resulting in UAAL of $2,138 million, which is an increase as compared with a UAAL as of December 31, 2012 of $1,857 million. Plan obligations had been expected to increase, but the increase was slightly larger than expected due to an actuarial experience loss and to valuation assumption changes, specifically an increase due to a rising prescription drug cost trend partially offset by decreases due to lower valuation-year per capita health costs and to a lower medical cost trend. The AAL and UAAL as of December 31, 2012 of $1,857 million was a decrease from the AAL and UAAL as of December 31, 2010 of $2,258 million which was 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 assumption changes in the December 31, 2014 report as compared to the previous report are per capita health costs and administrative expenses recalculated based on more recent data, medical and drug trends updated to reflect experience and future expectations, and the excise tax on high cost health plans beginning in 2018 revised due to recent experience. 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
12/31/14		$2,138,368	$2,138,368	0%	$563,322	379.60%
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%

Required Supplementary Information (Unaudited)
INFORMATION ABOUT THE NEW HAMPSHIRE RETIREMENT SYSTEM

Schedule of the State's Proportionate Share of the Net Pension Liability

(Dollars in thousands)	June 30, 2016	June 30, 2015
State's Proportion of the Net Pension Liability	20.07%	19.60%
State's Proportionate Share of the Net Pension Liability	$794,933	$735,869
State's Covered-Employee Payroll	$564,568	$535,261
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	140.80%	137.48%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	65.47%	66.32%

Note: The amounts presented were determined as of and for the measurement period ended June 30, 2015 and June 30, 2014
Schedule is intended to show 10 years. Additional years will be added as they become available.

Schedule of State Contributions

(Dollars in thousands)	June 30,		
	2016	2015	2014
Required State Contribution	$69,700	$67,450	$63,621
Actual State Contributions	69,700	67,450	63,621
Excess/(Deficiency) of State Contributions			
State's Covered-Employee Payroll	564,752	564,568	535,261
State Contribution as a Percentage of its Covered-Employee Payroll	12.34%	11.95%	11.89%

Schedule is intended to show 10 years. Additional years will be added as they become available.

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

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

Fiscal Year Ended (dollars in thousands)	June 30, 2016	June 30, 2015
Total Pension Liability		
Service cost	$2,693	$2,351
Interest on total pension liability	5,642	5,648
Benefit payments	(5,694)	(5,775)
Net change in total pension liability	2,641	2,224
Total pension liability, beginning	83,398	81,174
Total pension liability, ending (a)	$86,039	$83,398
Fiduciary Net Position		
Employer contributions	$5,470	$4,923
Member contributions	664	635
Investment income net of investment expenses	(249)	2,759
Benefit payments	(5,694)	(5,775)
Administrative expenses	(208)	(203)
Net change in plan fiduciary net position	(17)	2,339
Fiduciary net position, beginning	46,923	44,584
Fiduciary net position, ending (b)	46,906	46,923
Net pension liability, ending = (a) - (b)	$39,133	$36,475
Fiduciary net position as a % of total pension liability	54.52%	56.26%
Covered payroll	$8,031	$7,535
Net pension liability as a % of covered payroll	487.27%	484.07%

Note: The amounts presented above were determined as of and for the measurement period ended December 31, 2015 and December 31, 2014. Schedule is intended to show 10 years. Additional years will be added as they become available.

Schedule of Employer Contributions

(Dollars in thousands)

Fiscal Year Ended June 30,	2016	2015	2014
Actuarially Determined Contribution	$5,678	$5,100	$4,666
Contributions in Relation to the Actuarially Determined Contribution	5,678	5,100	4,666
Excess/(Deficiency) of State Contributions			
Covered-Employee Payroll	8,209	7,944	7,348
Contribution as a Percentage of the Covered-Employee Payroll	69.17%	64.20%	63.50%

Schedule is intended to show 10 years. Additional years will be added as they become available.

Notes to the Required Supplementary Information:

Valuation	Actuarially determined contribution rates are calculated as of January 1, 2014, eighteen and thirty months prior to the end of the fiscal year in which contributions are reported.
Investment rate of return	7.00%
Inflation	2.75%
Salary increases	2.25% as of July 1, 2014; 2.25% as of January 1, 2015; 3.00% per year thereafter
Cost of living adjustment	2.25% for two years, 3% thereafter
Mortality	1994 Group Annuity Mortality Table
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed 26 years from January 1, 2014
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market value
Retirement age	25% are assumed to retire at age 60 with 15 years of service; 50% are assumed to retire at age 65; 100% are assumed to retire at age 70 with 7 years of service; 5% are assumed to retire at each age between 60 and 65; 15% are assumed to retire at each age between 66 and 69.

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

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*

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, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated January 31, 2017. Our report includes a reference to other auditors who audited the financial statements of the Liquor Commission, Lottery Commission, Highway Fund, Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, Pease Development Authority, Community College System of New Hampshire, New Hampshire Public Deposit Investment Pool, 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 York 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 State'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 as 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 as 2016-001, 2016-002, 2016-003, and 2016-004 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 Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the basic 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

January 31, 2017

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

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 the Uniform Guidance

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 *OMB 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, 2016, 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, 2016. Our audit, described below, did not include the activities of UNH, PDA, CDFA, and CCSNH because those component units separately engaged auditors to perform audits in accordance with the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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
2016-007	93.778	Medicaid Assistance Program	Special Test
2016-015 2016-033	93.575/93.596	Child Care Development Fund Cluster	Period of Performance Allowability
2016-022 2016-024	93.667	Social Services Block Grant	Earmarking Subrecipient Monitoring
2016-025 2016-029 2016-030 2016-031	93.069	Public Health Emergency Preparedness	Matching and Maintenance of Effort Allowability Earmarking Equipment
2016-025	93.889	National Bioterrorism Hospital Preparedness	Matching and Maintenance of Effort
2016-027 2016-028	93.758	Preventive Health and Health Services Block Grant	Subrecipient Monitoring and Cash Management Maintenance of Effort
2016-033	93.563	Child Support Enforcement	Allowability
2016-033	93.658	Foster Care	Allowability
2016-055	93.959	Block Grants for the Prevention and Treatment of Substance Abuse	Period of Performance 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, 2016.

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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-008, 2016-009, 2016-010, 2016-013, 2016-014, 2016-016, 2016-017, 2016-018, 2016-019, 2016-020, 2016-021, 2016-023, 2016-026, 2016-032, 2016-034, 2016-035, 2016-036, 2016-037, 2016-038, 2016-039, 2016-040, 2016-041, 2016-042, 2016-044, 2016-045, 2016-046, 2016-047, 2016-048, 2016-049, 2016-050, 2016-052, 2016-053, and 2016-054. 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 types of 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 the Uniform Guidance, 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 preceding paragraph 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 or 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 items 2016-005, 2016-006, 2016-007, 2016-009, 2016-011, 2016-014, 2016-015, 2016-016, 2016-022, 2016-024, 2016-025, 2016-026, 2016-027, 2016-028, 2016-029, 2016-030, 2016-031, 2016-032, 2016-033, 2016-039, 2016-048, 2016-052, 2016-054 and 2016-055 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 items 2016-008, 2016-010, 2016-012, 2016-013, 2016-017, 2016-018, 2016-020, 2016-021, 2016-023, 2016-034, 2016-035, 2016-036, 2016-037, 2016-038, 2016-040, 2016-041, 2016-042, 2016-043, 2016-044, 2016-045, 2016-046, 2016-047, 2016-049, 2016-050, 2016-051, and 2016-053 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated January 31, 2017 which referred to the use of the reports of other auditors and which contained unmodified opinions on those financial statements.

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 the Uniform Guidance 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 30, 2017

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title		2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Agriculture						
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care		141,098	0%	-
7500	10.028	Wildlife Services		10,000	0%	-
1800	10.162	Inspection Grading And Standardization		25,544	0%	-
9500	10.477	Meat, Poultry, And Egg Products Inspection		39,033	0%	-
		Supplemental Nutrition Assistance Program (SNAP) Cluster				
9500	10.551	Supplemental Nutrition Assistance Program (Notes 3,9)		122,777,843	0%	-
9500	10.561	State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 9)		8,960,206	0%	-
		SNAP Cluster Total		131,738,049	0%	-
		Child Nutrition Cluster				
5600	10.553	School Breakfast Program (Note 9)		5,581,757	100%	5,581,757
5600	10.555	National School Lunch Program (Note 3, 9)	23,661,648			
1400	10.555	National School Lunch Program (Note 3, 9)	4,078,363	27,740,011	100%	27,740,011
5600	10.556	Special Milk Program For Children (Note 9)		175,307	100%	175,307
5600	10.559	Summer Food Service Program For Children (Note 9)		917,699	94%	862,637
		Child Nutrition Cluster Total		34,414,774	100%	34,359,712
9500	**10.557**	**Special Supplemental Nutrition Program For Women, Infants And Children**		**10,152,639**	**28%**	**2,842,739**
1400	10.558	Child And Adult Care Food Program (Note 3)		4,913,494	98%	4,804,026
1400	10.560	State Administrative Expenses For Child Nutrition		780,559	27%	210,643
		Food Distribution Cluster				
9500	10.565	Commodity Supplemental Food Program (Note 3,9)		1,336,758	99%	1,318,297
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 9)		184,002	100%	184,002
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Note 3,9)		1,640,879	100%	1,640,879
		Food Distribution Cluster Total		3,161,639	99%	3,143,178
9500	10.576	Senior Farmers Market Nutrition Program		85,108	100%	85,108
5600	10.579	Child Nutrition Discretionary Grants Limited Availability		194,273	58%	112,901
5600	10.582	Fresh Fruit And Vegetable Program		1,900,545	99%	1,881,540
3500	10.664	Cooperative Forestry Assistance		916,678	31%	284,170

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
		Forest Service Schools and Roads Cluster			
5600	10.665	Schools And Roads - Grants To States (Note 9)	500,935	0%	
5600	10.666	Schools And Roads - Grants To Counties (Note 9)	-	0%	-
		Forest Service Schools and Roads Cluster Total	500,935	-	-
3500	10.676	Forest Legacy Program	25,700	0%	-
1800	10.902	Soil And Water Conservation	44,465	0%	-
3500	10.912	Environmental Quality Incentives Program (EQIP)	2,530	0%	-
3500	10.914	Wildlife Habitat Incentive Program	2,444	0%	-
4400	10.916	Dam Rehibillitation Assessment	283,784	0%	-
1800	10.917	Agricultural Management Assistance	240,447	0%	-
		Department of Agriculture Total:	**189,573,738**	**25%**	**47,724,017**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Commerce					
7500	11.407	Interjurisdictional Fisheries Act Of 1986	10,248	0%	-
4400	11.419	Coastal Zone Management Administration Awards	1,366,240	25%	341,560
7500	11.420	Coastal Zone Management Estuarine Research Reserves	773,638	0%	-
7500	11.454	Unallied Management Projects	1,136,400	0%	-
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act	164,136	0%	-
2300	11.549	State and Local Implementation Grant Program (SLIGP)	156,810	0%	-
7500	11.999	No Program Title	377,841	0%	-
		Department of Commerce Total:	**3,985,313**	**9%**	**341,560**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Defense					
3500	12.002	Procurement Technical Assistance For Business Firms	317,698	0%	-
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services	392,742	0%	-
1200	**12.400**	**Military Construction, National Guard**	**18,803,994**	**0%**	**-**
1200	**12.401**	**National Guard Military Operations And Maintenance (O&M) Projects**	**15,881,742**	**0%**	**-**
3500	12.610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies.	149,402	0%	-
		Department of Defense Total:	**35,545,578**	**0%**	**-**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Housing and Urban Development					
9500	14.231	Emergency Solutions Grant Program	829,441	94%	779,675
9500	14.241	Housing Opportunities For Persons With AIDS	574,803	98%	563,307
9500	14.267	Continuum of Care Program	2,816,699	96%	2,704,031
		Department of Housing and Urban Development Total:	**4,220,943**	**96%**	**4,047,013**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of the Interior					
4400	15.153	Coastal Resiliency Grants	17,154	0%	-
4400	15.424	Marine Minerals Activities	12,856	0%	-
		Fish and Wildlife Cluster			
7500	**15.605**	**Sport Fish Restoration Program (Note 9)**	**3,171,474**	**0%**	**-**
7500	**15.611**	**Wildlife Restoration And Basic Hunter Education (Note 9)**	**3,630,248**	**7%**	**254,117**
		Fish and Wildlife Cluster Total	**6,801,722**	**4%**	**254,117**
3500	15.615	Cooperative Endangered Species Conservation Fund	62,818	20%	12,775
4400	15.616	Clean Vessel Act	113,901	16%	18,224
7500	15.626	Enhanced Hunter Education And Safety Program	25,227	0%	-
4400	15.631	Partners For Fish And Wildlife	10,000	0%	-
7500	15.634	State Wildlife Grants	968,669	14%	135,614
7500	15.650	Research Grants (Generic)	56,905	0%	-
7500	15.655	Migratory Bird Monitoring, Assessment and Conservation	9,208	44%	4,052
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds	7,094	0%	-
4400	15.808	U.S. Geological Survey - Research And Data Collection	2,496	0%	-
4400	15.810	National Cooperative Geologic Mapping Program	59,297	0%	-
3400	15.904	Historic Preservation Fund Grants-In-Aid	640,280	100%	640,280
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning	78,440	93%	72,949
3400	15.957	HPF Emergency Supplemental Sandy Relief	76,096	100%	76,096
		Department of the Interior Total:	**8,942,163**	**14%**	**1,214,107**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Justice					
1000	16.013	Violence Against Women Act Court Training and Improvement Grants	7,431	0%	-
2000	16.017	Sexual Assault Services Formula Program	208,369	89%	185,448
9500	16.523	Juvenile Accountability Block Grants	103,672	0%	-
2000	16.528	Enhanced Training And Services To End Violence And Abuse Of Women Later In Life	18,250	0%	-
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States	365,649	0%	-
2000	16.560	National Institute Of Justice Research, Evaluation, And Development Project Grants	44,547	90%	40,092
2000	16.575	Crime Victim Assistance	2,454,649	95%	2,331,917
2000	16.576	Crime Victim Compensation	1,556	0%	-
2000	16.579	Edward Byrne Memorial Formula Grant Program	1,024,683	40%	409,873
2000	16.582	Crime Victim Assistance/Discretionary Grants	508	0%	-
1000	16.585	Drug Court Discretionary Grant Program	192,247	0%	-
2000	16.588	Violence Against Women Formula Grants	1,172,937	77%	903,161
2000	16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	315,295	90%	283,766
2000	16.593	Residential Substance Abuse Treatment For State Prisoners	17,905	90%	16,115
4600	16.606	State Criminal Alien Assistance Program	7,250	0%	-
4600	16.609	Project Safe Neighborhoods	24,501	0%	-
2300	16.710	Public Safety Partnership And Community Policing Grants	709,027	0%	-
2300	16.741	DNA Backlog Reduction Program	148,971	0%	-
2300	16.750	Support For Adam Walsh Act Implementation Grant Program	20,602	0%	-
2000	16.754	Harold Rogers Prescription Drug Monitoring Program	171,379	92%	157,669
2000	16.828	Swift and Certain Sanctions/Replicating Project HOPE	144,710	92%	133,133
4600	16.922	Equitable Sharing Program	8,963	0%	-
2000	16.999	No Program Title	193,764	15%	28,488
		Department of Justice Total:	**7,356,865**	**61%**	**4,489,662**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Labor					
2700	17.002	Labor Force Statistics	812,478	0%	-
3200	17.005	Compensation And Working Conditions	21,078	0%	-
		Employment Service Cluster			
2700	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 9)	3,662,046	0%	-
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 9)	599,726	0%	-
2700	17.804	Local Veterans` Employment Representative Program (Note 9)	305,862	0%	-
		Employment Service Cluster Total	4,567,634	0%	-
2700	**17.225**	**Unemployment Insurance (Note 4)**	**80,240,791**	**0%**	**-**
3500	17.235	Senior Community Service Employment Program	153,207	98%	150,143
2700	17.245	Trade Adjustment Assistance	744,226	0%	-
		Workforce Investment Act (WIA) Cluster			
3500	17.258	WIA Adult Program (Note 9)	1,296,193	91%	1,179,536
3500	17.259	WIA Youth Activities (Note 9)	2,642,383	95%	2,510,264
3500	17.278	WIA Dislocated Formula Grants (Note 9)	2,357,600	86%	2,027,536
		WIA Cluster Total	6,296,176	91%	5,717,336
2700	17.261	WIA Pilots, Demonstrations, and Research Projects	53,301	0%	-
2700	17.271	Work Opportunities Tax Credit Program (WOTC)	67,422	0%	-
2700	17.273	Temporary Labor Certification For Foreign Workers	76,791	0%	-
3500	17.277	Workforce Investment Act (WIA) National Emergency Grants	920,742	100%	920,742
		Department of Labor Total:	**93,953,846**	**7%**	**6,788,221**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Transportation					
9600	20.106	Airport Improvement Program **(Note 6)**	2,630,981	100%	2,630,981
9600	20.200	Highway Research & Development	1,151,291	0%	-
		Highway Planning and Construction Cluster			
9600	20.205	Highway Planning And Construction (Note 9)	151,491,699	10%	15,149,170
9600	20.219	Recreational Trails Program (Note 9)	1,584,661	22%	355,163
		Highway Planning and Construction Cluster Total	153,076,360	10%	15,504,333
9600	20.215	Highway Training & Education	249,210	0%	-
2300	20.218	National Motor Carrier Safety	958,610	0%	-
9600	**20.223**	**Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (Note 8)**	**9,684,581**	**0%**	**-**
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	5,943	0%	-
		Federal Transit Cluster			
9600	20.500	Federal Transit - Capital Investment Grants (Note 9)	159,418	100%	159,418
9600	20.507	Federal Transit - Formula Grants (Note 9)	1,315,514	100%	1,315,514
		Federal Transit Cluster Total	1,474,932	100%	1,474,932
9600	20.509	Formula Grants For Rural Areas	3,585,599	87%	3,119,471
		Transit Services Program Cluster			
9600	20.513	Enhanced Mobility Of Seniors And Individuals With Disabilities (Note 9)	1,277,711	93%	1,188,271
9600	20.521	New Freedom Program (Note 9)	6,713	100%	6,713
		Transit Services Program Cluster Total	1,284,424	93%	1,194,984
9600	20.522	Alternative Analysis	9,953	100%	9,953
		Highway Safety Cluster			
2300	20.600	State And Community Highway Safety (Note 9)	1,731,933	98%	1,697,294
2300	20.616	National Priority Safety Programs (Note 9)	2,022,579	87%	1,759,644
		Highway Safety Cluster Total	3,754,512	92%	3,456,938

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
8100	20.700	Pipeline Safety Program State Base Grant	614,182	0%	-
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants	168,141	0%	-
8100	20.721	PHMSA Pipeline Safety Program One Call Grant	59,073	0%	-
9600	20.933	National Infrastructure Investments	905,386	0%	-
		Department of Transportation Total:	**179,613,178**	**15%**	**27,391,592**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Equal Employment Opportunity Commission					
7600	30.002	Employment Discrimination - State And Local Fair Employment Practices Agency Contracts	147,550	0%	-
		Equal Employment Opportunity Commission Total:	**147,550**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
General Services Administration					
1400	39.003	Donation Of Federal Surplus Personal Property **(Note 3)**	168,784	100%	168,784
3200	39.011	Election Reform Payments **(Note 5)**	96,015	0%	-
		General Services Administration Total:	**264,799**	**64%**	**168,784**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
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State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
National Endowment for the Arts					
3400	45.025	Promotion of The Arts - Partnership Agreements	671,098	100%	671,098
3400	45.310	Grants To States	1,204,187	100%	1,204,187
		National Endowment for the Arts Total:	**1,875,285**	**100%**	**1,875,285**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Small Business Administration					
3500	59.061	State Trade Expansion Program (STEP)	126,870	0%	-
		Small Business Administration Total:	**126,870**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

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Veterans Administration					
4300	**64.015**	**Veterans State Nursing Home Care**	**9,299,467**	**0%**	**-**
1200	64.101	Burial Expenses Allowance For Veterans	127,824	0%	-
5600	64.124	All-Volunteer Force Educational Assistance	175,096	0%	-
		Veterans Administration Total:	**9,602,387**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Environmental Protection Agency					
4400	66.040	State Clean Diesel Grant Program	81,180	86%	69,815
4400	66.454	Water Quality Management Planning	188,578	43%	81,089
		Clean Water State Revolving Fund Cluster			
4400	**66.458**	**Capitalization Grants For Clean Water State Revolving Fund (Note 9)**	**8,490,147**	**92%**	**7,810,935**
4400	**66.482**	**Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds (Note 9)**	**-**	**0%**	**-**
		Clean Water State Revolving Fund Cluster Total	**8,490,147**	**0%**	**-**
4400	66.460	Nonpoint Source Implementation Grants	348,931	100%	348,931
4400	66.461	Regional Wetland Program Development Grants	309,977	16%	49,596
		Drinking Water State Revolving Fund Cluster			
4400	**66.468**	**Capitalization Grants For Drinking Water State Revolving Fund (Note 9)**	**18,116,539**	**86%**	**15,580,224**
4400	**66.483**	**Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds (Note 9)**	**-**	**0%**	**-**
		Drinking Water State Revolving Fund Cluster Total	**18,116,539**	**0%**	**15,580,224**
4400	66.472	Beach Monitoring And Notification Program Implementation Grants	203,414	0%	-
4400	66.605	Performance Partnership Grants	5,429,312	1%	54,293
4400	66.606	Surveys, Studies, Investigations And Special Purpose Grants	250,170	0%	-
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance	181,776	0%	-
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	316,880	0%	-
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	64,214	0%	-
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals	169,034	0%	-
4400	66.708	Pollution Prevention Grants Program	151,210	0%	-
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements	2,464,887	0%	-
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program	293,660	0%	-
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	424,942	0%	-
4400	66.817	State And Tribal Response Program Grants	852,042	0%	-
4400	66.818	Brownfields Assessment And Cleanup Cooperative Agreements	8,272	0%	-
		Environmental Protection Agency Total:	**38,345,165**	**63%**	**23,994,883**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Energy					
0240	81.041	State Energy Program	407,409	3%	10,878
0240	81.042	Weatherization Assistance For Low-Income Persons	1,393,627	90%	1,248,272
0240	81.119	State Energy Program Special Projects	1,202	0%	-
0240		State Energy Program Special Project Subaward # 02240-FY15-SEP-006 from The State of Vermont	6,143	0%	-
		81.119 CFDA Total	7,345	0%	-
		Department of Energy Total:	**1,808,381**	**70%**	**1,259,150**

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Department of Education					
5600	84.002	Adult Education - Basic Grants To States	1,579,877	85%	1,342,895
5600	84.010	Title I Grants To Local Educational Agencies	40,788,599	97%	39,564,941
5600	84.011	Migrant Education - State Grant Program	143,102	10%	14,310
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children And Youth	531,617	99%	526,301
		Special Education Cluster			
5600	84.027	Special Education - Grants To States (Note 9)	43,483,918	95%	41,309,722
5600	84.173	Special Education - Preschool Grants (Note 9)	1,378,403	95%	1,309,483
		Special Education Cluster Total	44,862,321	95%	42,619,205
5600	84.048	Career And Technical Education - Basic Grants To States	5,779,668	92%	5,317,295
5600	**84.126**	**Rehabilitation Services - Vocational Rehabilitation Grants To States**	**8,375,049**	**0%**	**-**
5600	84.144	Migrant Education - Coordination Program	137,383	20%	27,477
0205	84.161	Rehabilitation Services - Client Assistance Program	113,977	0%	-
5600	84.169	Independent Living - State Grants	285,131	99%	282,280
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind	280,043	48%	134,421
9500	84.181	Special Education Grants For Infants And Families	2,114,601	76%	1,607,097
5600	84.187	Supported Employment Services For Individuals With The Most Significant Disabilities	349,972	100%	349,972
5600	84.196	Education For Homeless Children And Youth	173,841	72%	125,166
5600	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	26,683	0%	-
5600	84.282	Charter Schools	1,271,123	100%	1,271,123
5600	84.287	Twenty-First Century Community Learning Centers	5,551,761	96%	5,329,691
5600	84.323	Special Education - State Personnel Development	683,138	78%	532,848
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	22,140	100%	22,140
5600	84.358	Rural Education	538,720	99%	533,333
5600	84.365	English Language Acquisition State Grants	1,081,385	85%	919,177
5600	84.366	Mathematics And Science Partnerships	769,733	80%	615,786
5600	84.367	Improving Teacher Quality State Grants	10,968,059	97%	10,639,017
5600	84.369	Grants For State Assessments And Related Activities	3,773,179	41%	1,547,003
5600	84.372	Statewide Data Systems	1,434,156	64%	917,860

State of New Hampshire
Schedule of Expenditures of Federal Awards
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5600	84.377	School Improvement Grants	997,549	94%	937,696
5600	84.378	College Access Challenge Grant Program	81,979	78%	63,944
5600	84.999	No Program Title	160,889	0%	-
		Department of Education Total:	**132,875,675**	**87%**	**115,240,976**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

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U.S. Election Assistance Commission					
3200	90.401	Help America Vote Act Requirements Payments **(Note 5)**	581,673	0%	-
		U.S. Election Assistance Commission Total:	**581,673**	**0%**	**-**

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State of New Hampshire
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State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Health and Human Services					
9500	93.006	State And Territorial And Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	9,843	0%	-
9500	93.041	Special Programs for the Aging - Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	34,886	0%	-
9500	93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	134,435	0%	-
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services	116,772	0%	-
		Aging Cluster			
9500	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 9)	1,630,068	0%	-
9500	93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 9)	2,118,763	67%	1,419,571
9500	93.053	Nutrition Services Incentive Program (Note 9)	1,286,453	100%	1,286,453
		Aging Cluster Total	5,035,284	54%	2,706,024
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects	234,920	0%	-
9500	93.052	National Family Caregiver Support, Title III, Part E	941,249	0%	-
9500	**93.069**	**Public Health Emergency Preparedness**	**4,839,285**	**39%**	**1,887,321**
4400	93.070	Environmental Public Health And Emergency Response	1,761,284	19%	333,702
9500	93.071	Medicare Enrollment Assistance Program	161,643	0%	-
9500	93.074	HPP AND PHEP Cooperative Agreement	363,449	0%	-
5600	93.079	Promoting the Health of NH Youth School Based HIV/STD Prevention	53,847	0%	-
9500	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	223,292	99%	221,059
9500	93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants	684,504	0%	-
9500	93.110	Maternal And Child Health Federal Consolidated Programs	900,139	82%	738,114
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program	120,977	0%	-
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices	152,002	13%	19,760
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs	310,581	98%	304,369
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)	277,606	96%	266,502
4400	93.204	Surveillance of Hazardous Substance Emergency Events	320,414	0%	-
9500	93.217	Family Planning - Services	766,609	70%	536,626
9500	93.234	State Health Insurance Assistance Program	242,627	99%	240,201

State of New Hampshire
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9500	93.236	Grants To States To Support Oral Health Workforce Activities	127,008	99%	125,738
9500	93.241	State Rural Hospital Flexibility Program	427,593	53%	226,624
5600	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	5,779,372	54%	3,132,443
9500	93.251	Universal Newborn Hearing Screening	121,603	0%	-
9500	93.262	Occupational Safety And Health Program	57,022	0%	-
9500	**93.268**	**Immunization Cooperative Agreements (Note 3)**	**11,083,491**	**0%**	**-**
9500	93.270	Adult Viral Hepatitis Prevention And Control	125,716	0%	-
9500	93.275	Substance Abuse And Mental Health Services - Access To Recovery	(22,803)	0%	-
9500	93.283	Affordable Care Act: Centers For Disease Control And Prevention - Investigations And Technical	2,238,291	53%	1,186,294
9500	93.296	State Partnership Grant Program to Improve Minority Health	3,281	0%	-
9500	93.301	Small Rural Hospital Improvement Grant Program	154,055	99%	152,514
9500	93.305	Tobacco Control Program	584,082	76%	443,902
9500	93.314	NH EHDI Program	114,072	45%	51,332
9500	93.323	NH ELC NON PPHF	348,048	0%	-
9500	93.324	State Health Insurance Assistance Program	334,816	0%	-
9500	93.336	Behavorial Risk Factor Survey	214,791	0%	-
9500	93.448	Food Safety And Security Monitoring Project	789,366	0%	-
5600	93.500	TEEN E3 GRANT	39,318	13%	5,111
9500	93.505	Affordable Care Act (ACA) Maternal, Infant, And Early Childhood Home Visiting Program	1,916,875	85%	1,629,344
2400	93.511	Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review	1,146,825	0%	-
9500	93.517	Affordable Care Act – Aging and Disability Resource Center	643,681	0%	-
9500	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity	803,302	0%	-
2400	93.525	State Planning And Establishment Grants For The Affordable Care Act (ACA)s Exchanges	589,271	0%	-
9500	93.536	The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	1,041,633	96%	999,968
9500	93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	216,747	0%	-
9500	93.556	Promoting Safe And Stable Families	551,089	0%	-

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		Temporary Assistance for Needy Families (TANF) Cluster			
9500	93.558	Temporary Assistance For Needy Families (TANF) (Note 9)	27,317,399	0%	-
9500	93.714	ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families (TANF) (Note 9)	-	0%	-
		TANF Cluster Total	27,317,399	0%	-
9500	**93.563**	**Child Support Enforcement**	**12,233,289**	**0%**	**-**
9500	93.566	Refugee And Entrant Assistance - State Administered Programs	1,065,891	0%	-
0240	93.568	Low-Income Home Energy Assistance	22,362,803	99%	22,043,015
9500	93.569	Community Services Block Grant	3,969,631	0%	-
		Child Care and Development Fund (CCDF) Cluster			
9500	**93.575**	**Child Care and Development Block Grant (Note 9)**	**14,150,225**	**0%**	**-**
9500	**93.596**	**Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 9)**	**9,850,668**	**0%**	**-**
		CCDF Cluster Total	**24,000,893**	**0%**	**-**
9500	93.576	Refugee And Entrant Assistance - Discretionary Grants	255,369	0%	-
9500	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants	294,060	0%	-
1000	93.586	State Court Improvement Program	376,371	0%	-
9500	93.597	Grants To States For Access And Visitation Programs	175,475	0%	-
9500	93.599	Chafee Education And Training Vouchers Program (ETV)	70,956	0%	-
9500	93.600	Head Start	130,012	0%	-
9500	93.609	The Affordable Care Act – Medicaid Adult Quality Grants	434,249	0%	-
9500	93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	1,589,302	97%	1,541,623
9500	93.627	Affordable Care Act: Testing Experience and Functional Assessment Tools	12,375	0%	-
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants	461,924	0%	-
9500	93.645	Stephanie Tubbs Jones Child Welfare Services Program	515,827	0%	-
9500	93.652	Adoption Opportunities	441,096	0%	-
9500	**93.658**	**Foster Care - Title IV-E**	**11,068,509**	**0%**	**-**
9500	93.659	Adoption Assistance	3,309,980	0%	-
9500	**93.667**	**Social Services Block Grant**	**8,701,340**	**76%**	**6,613,018**
9500	93.669	Child Abuse And Neglect State Grants	85,280	0%	-

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.671	Family Violence Prevention And Services / Battered Women's Shelters - Grants To States And Indian Tribes	887,837	0%	-
9500	93.674	Chafee Foster Care Independent Program	352,804	0%	-
9500	93.753	NH Reduced Lead Poisoning of Children	280,780	0%	-
9500	93.757	HEA	976,049	44%	429,462
9500	**93.758**	**Preventive Health and Health Services Block Grant**	**1,629,834**	**58%**	**945,304**
9500	93.767	Children`s Health Insurance Program	14,425	0%	-
		Medicaid Cluster			
9500	**93.775**	**State Medicaid Fraud Control Units**	**-**	**0%**	**-**
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Title XVII) Medicare (Note 9)**	**2,160,964**	**0%**	**-**
9500	**93.778**	**Medical Assistance Program (Note 9)**	**1,294,275,232**	**0%**	**-**
		Medicaid Cluster Total	**1,296,436,196**	**0%**	**-**
9500	93.791	Money Follows The Person Rebalancing Demonstration	851,821	0%	-
9500	93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	777,509	99%	769,734
9500	**93.889**	**National Bioterrorism Hospital Preparedness Program**	**1,226,101**	**71%**	**870,532**
9500	93.913	Grants To States For Operation Of Offices Of Rural Health	158,772	0%	-
9500	93.917	HIV Care Formula Grants	589,201	0%	-
9500	93.940	HIV Prevention Activities - Health Department Based	636,858	10%	63,686
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	84,597	0%	-
9500	93.945	Assistance Programs for Chronic Disease Prevention and Control	35,497	0%	-
9500	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	174,633	6%	10,478
9500	93.958	Block Grants For Community Mental Health Services	1,691,986	94%	1,590,467
9500	**93.959**	**Block Grants For Prevention And Treatment Of Substance Abuse**	**8,425,285**	**83%**	**6,992,987**
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	213,260	4%	8,530
9500	93.994	Maternal And Child Health Services Block Grant To The States	1,867,196	84%	1,568,445
		Department of Health and Human Services Total:	**1,483,296,865**	**4%**	**58,654,230**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Social Security Administration					
		Disability Insurance/SSI Cluster			
5600	96.001	Social Security - Disability Insurance (Note 9)	6,199,729	40%	2,479,892
5600	96.006	Supplemental Security Income (SSI) (Note 9)	-	0%	-
		Disability Insurance/SSI Cluster Total	6,199,729	0%	2,479,892
5600	96.009	Social Security State Grants for Work Incentives Assistance To Disabled Beneficiaries	4,370,619	55%	2,403,840
		Social Security Administration Total:	**10,570,348**	**46%**	**4,883,732**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2016

State Agency	CFDA Number	Program or Cluster Title	2016 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Homeland Security					
2300	97.012	Boating Safety Financial Assistance	945,062	0%	-
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)	104,040	0%	-
2300	97.029	Flood Mitigation Assistance	79,140	100%	79,140
2300	**97.036**	**Disaster Grants - Public Assistance (Presidentially Declared Disasters)**	**10,087,040**	**98%**	**9,885,299**
2300	97.039	Hazard Mitigation Grant	1,199,477	88%	1,055,540
4400	97.041	National Dam Safety Program	84,810	0%	-
2300	97.042	Emergency Management Performance Grants	3,742,824	0%	-
2300	97.043	State Fire Training Systems Grants	387,846	0%	-
0240	97.045	Cooperating Technical Partners (CTP)	31,617	76%	24,159
2300	97.047	Pre-Disaster Mitigation	634,648	93%	590,223
2300	97.067	Homeland Security Grant Program	3,767,967	88%	3,315,811
		Department of Homeland Security Total:	**21,064,471**	**71%**	**14,950,171**

Grand Total of All Federal Assistance: **2,223,751,093**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2016 audit

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

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. Code of Federal Regulations Title 2; Grants and Agreements Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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, 2016, 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 the U.S. Code of Federal Regulations Title 2; Grants and Agreements Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

a. *Federal Awards* – Federal financial assistance and federal cost-reimbursement contracts 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 Title 2 Part 200 of the Code of Federal Regulations; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, federal financial assistance is assistance that non-federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions or donations of property, direct appropriations, food commodities, loans, loan guarantees, interest subsidies, insurance, or other financial assistance. 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.

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

c. *Type A and Type B Programs* – Title 2 Part 200.518 of the Code of Federal Regulations 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 $6,671,253 in federal expenditures, distributions, or issuances for the year ended June 30, 2016. 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.

e. *Amounts Provided to Subrecipients* – The percentage of federal funds passed through by State agencies to various non-state subrecipients expressed in dollars.

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.

The table below details the federal programs included in the schedule funded with American Recovery and Reinvestment Act of 2009 (ARRA) grants:

CFDA #	Program Title	Expenditures
45.025	Promotion of the Arts – Partnership Agreement	$168,792

E. Indirect Cost Recovery

Whereas the various agencies and departments of the State have historically negotiated indirect cost recovery rates with their cognizant federal agencies the State does not utilize the 10% de minimus cost rate allowed under certain conditions per 2 CFR 200.414.

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 the Uniform Administrative Guidance of Title 2 Section 200 of the Code of Federal Regulations. 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 2016. 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 $122,777,843 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, 2016.

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	$	4,078,363
10.558	Child and Adult Care Food Program		46,059
10.565	Commodity Supplemental Food Program		967,543
10.569	Emergency Food Assistance Program (Food Commodities)		1,640,879
	Total:	**$**	**6,732,844**

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 $168,784 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 $9,488,231 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:	$ 65,822,972
Administrative Grants (Non-ARRA):	13,882,868
Federal Employees	212,146
Ex-Servicemen:	208,764
EUC08 (Non-ARRA):	(374,788)
FAC (Non-ARRA):	(50,901)
Trade Act:	372,399
Extended Benefits (Non-ARRA):	(19,169)
ATAA:	187,361
Short-Time Compensation:	(863)
Total	$ 80,240,790

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, 2016, the State had expended a cumulative total of $11,495,634 of the $18,021,803 Election Reform payments received, leaving a remaining balance of $6,526,129.

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 – 97.036 DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS):

Public assistance projects relating to presidentially declared disasters in fiscal year 2015 totaling $4,299,938 were approved by FEMA during fiscal year 2016. Of the $10,087,040 of program expenditures recorded during fiscal year 2016, $1,406,493 were for reimbursement of expenditures incurred by municipalities related to fiscal year 2015 presidentially declared disasters. The remaining $3,532,722 of disaster relief approved for reimbursement to municipalities for disasters occurring during fiscal year 2015 were not yet reimbursed as of June 30, 2016.

NOTE 8 – LOANS OR LOAN GUARANTEES

Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223)

The State of New Hampshire acting by and through the New Hampshire State Treasurer and the New Hampshire Department of Transportation (NHDOT) is participating in the Transportation Infrastructure Finance and Innovation Act (TIFIA) program by receipt of a loan in the amount of $200 million that was approved in May of 2016.

The TIFIA proceeds are being used on four Federal Highway Administration (FHWA) approved projects on the I-93 widening project, of which two were active in state fiscal year 2016. These projects are accounted for and reported in the Highway Fund. TIFIA eligible expenditures are for the construction contracts only within each project. There is no sub-recipient as the NHDOT is reimbursing the contract vendor directly. All construction contracts and invoice payments to the vendors follow NHDOT's federal procedures.

Beginning Balance	Additions	Deletions	Ending Balance
$ -	$ 9,684,581	$ -	$ 9,684,581

NOTE 9 - CLUSTERED PROGRAMS

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards codified at 2 CFR 200 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 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	$	122,777,843
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		8,960,206
	SNAP Cluster Total	$	131,738,049
Child Nutrition Cluster			
10.553	School Breakfast Program	$	5,581,757
10.555	National School Lunch Program		27,740,011
10.556	Special Milk Program for Children		175,307
10.559	Summer Food Service Program for Children		917,669
	Child Nutrition Cluster Total	$	34,414,744
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program	$	1,336,758
10.568	Emergency Food Assistance Program (Administrative Costs)		184,002
10.569	Emergency Food Assistance Program (Food Commodities)		1,640,879
	Food Distribution Cluster Total	$	3,161,639
Forest Service Schools and Roads Cluster			
10.665	Schools and Roads - Grants to States	$	500,935
10.666	Schools and Roads - Grants to Counties		-
	Forest Service Schools and Roads Cluster Total	$	500,935
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration Program	$	3,171,474
15.611	Wildlife Restoration and Basic Hunter Education		3,630,248
	Fish and Wildlife Cluster Total	$	6,801,722
Employment Service Cluster			
17.207	Employment Service/Wagner – Peyser Funded Activities	$	3,662,046
17.801	Disabled Veterans' Outreach Program (DVOP)		599,726
17.804	Local Veterans' Employment Representative Program		305,862
	Employment Service Cluster Total	$	4,567,634

CFDA #	Program Title		Expenditures
Workforce Investment Act (WIA) Cluster			
17.258	WIA Adult Program	$	1,296,193
17.259	WIA Youth Activities		2,642,383
17.278	WIA Dislocated Worker Formula Grants		2,357,600
	WIA Cluster Total	$	6,296,176
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	$	151,491,699
20.219	Recreational Trails Program		1,584,661
23.003	Appalachian Development Highway System		-
	Highway Planning and Construction Total	$	153,076,360
Federal Transit Cluster			
20.500	Federal Transit - Capital Investment Grants	$	159,418
20.507	Federal Transit – Formula Grants		1,315,514
20.525	State of Good Repair Grants Program		-
20.526	Bus and Bus Facilities Formula Program		-
	Federal Transit Cluster Total	$	1,474,932
Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals With Disabilities	$	1,277,711
20.516	Job Access – Reverse Commute		-
20.521	New Freedom Program		6,713
	Transit Services Programs Cluster Total	$	1,284,424
Highway Safety Cluster			
20.600	State and Community Highway Safety	$	1,731,933
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants		-
20.602	Occupant Protection Incentive Grants		-
20.609	Safety Belt Performance Grants		-
20.610	State Traffic Safety Information System Improvement Grants		-
20.611	Incentive Grant Program to Prohibit Racial Profiling		-
20.612	Incentive Grant Program to Increase Motorcyclist Safety		-
20.613	Child Safety and Child Booster Seat Incentive Grants		-
20.616	National Priority Safety Programs		2,022,579
	Highway Safety Cluster Total	$	3,754,512
Clean Water State Revolving Fund Cluster			
66.458	Capitalization Grants for Clean Water State Revolving Funds	$	8,490,147
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds		-
	Clean Water State Revolving Fund Cluster Total	$	8,490,147

CFDA #	Program Title	Expenditures
Drinking Water State Revolving Fund Cluster		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$ 18,116,539
66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds	-
	Drinking Water State Revolving Fund Cluster Total	$ 18,116,539
Special Education Cluster		
84.027	Special Education-Grants to States	$ 43,483,918
84.173	Special Education-Preschool Grants	1,378,403
	Special Education Cluster Total	$ 44,862,321
Aging Cluster		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	$ 1,630,068
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	2,118,763
93.053	Nutrition Services Incentive Program	1,286,453
	Aging Cluster Total	$ 5,035,284
TANF Cluster		
93.558	Temporary Assistance for Needy Families (TANF) State Programs	$ 27,317,399
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	-
	TANF Cluster Total	$ 27,317,399
Child Care and Development Fund (CCDF) Cluster		
93.575	Child Care and Development Block Grant	$ 14,150,225
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	9,850,668
	CCDF Cluster Total	$ 24,000,893
Medicaid Cluster		
93.775	State Medicaid Fraud Control Units	$ -
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,160,964
93.778	Medical Assistance Program (ARRA)	1,294,275,232
	Medicaid Cluster Total	$ 1,296,436,196
Disability Insurance/SSI Cluster		
96.001	Social Security--Disability Insurance (DI)	$ 6,199,729
96.006	Supplemental Security Income (SSI)	-
	Disability Insurance/SSI Cluster Total	$ 6,199,729

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Part I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether financial statements were prepared in accordance with U.S. GAAP:	**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:

CFDA #93.778 Medical Assistance Program- **Qualified**
CFDA #93.575; 93.596 Child Care Development Fund Cluster- **Qualified**
CFDA #93.667 Social Services Block Grant- **Qualified**
CFDA #93.069 Public Health Emergency Preparedness- **Qualified**
CFDA #93.889 National Bioterrorism Hospital Preparedness- **Qualified**
CFDA #93.758 Preventive Health and Health Services Block Grant- **Qualified**
CFDA #93.959 Block Grants for the Prevention and Treatment of Substance Abuse- **Qualified**
CFDA #93.563 Child Support Enforcement- **Qualified**
CFDA #93.658 Foster Care- **Qualified**

All Other Major Programs – **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).	X	yes	_____	no

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Identification of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
Fish and Wildlife Cluster	
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration and Basic Hunter Education
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
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

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
12.400	National Guard Military Construction
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA)
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
84.126	Rehabilitation Services – Vocational Rehabilitation to States
93.069	Public Health Emergency Preparedness
93.268	Immunization Cooperative Agreements
93.563	Child Support Enforcement
93.658	Foster Care – Title IV-E
93.667	Social Services Block Grant
93.758	Preventive Health and Health Services Block Grant

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

93.889	National Bioterrorism Hospital Preparedness Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B Programs: $6,671,253

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Part II - Financial Statement Findings

Findings 2016-001 and 2016-004 were identified as significant deficiencies relating to the State's basic financial statements and are 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-18.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

PART II

FINANCIAL STATEMENT FINDINGS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2016-001 –Department of Administrative Services

Ineffective general information technology controls related to the NHFIRST Human Resources/Payroll Lawson System.

Background

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Observation

The State of New Hampshire uses the NHFIRST Lawson System (Lawson or System) for the Financial Reporting and Human Resource/Payroll functions. As a result of testing performed over Lawson, we determined that certain General Information Technology Controls (GITCs) related to the System were ineffective.

Specifically, for terminated users, access to Lawson should be removed in a timely manner after the date of termination of the employee. Upon date of termination, the Human Resource function at the agency level initiates a transaction that notifies DAS Division of Personnel, including the security management team for Lawson, that the employee has been terminated. Once notification is received, the security management team for Lawson modifies the individual's access rights such that they are limited to read-only access to the individual's payroll and benefit information. This read-only access remains in place for 60 days.

During our review, we noted that, for 21 out of 25 sample selections, evidence supporting the timely removal of elevated user access rights (more than read-only access rights) was not available. Further, through review of the 2015/2016 and 2014/2015 listing of terminated employees, 235 terminated individuals were identified as still having access to the System after their 60 day read-only period had expired. Due to system limitations, management of the Lawson system does not have the ability to provide audit evidence documenting when access rights for the 235 individuals identified was reduced to read only.

Risk

The policies and procedures in place, including the notifications that trigger removal of elevated user access for terminated employees, are decentralized across the various State agencies, for which management of the Lawson application has no control over. As such, in order to remove a terminated individual from the Lawson application in a timely manner, they must rely on timely notification from the various State agencies, and the completeness, accuracy, and timeliness of these notifications is not consistent across the State. When accounts for terminated employees are not disabled and/or removed in a timely manner, there is a risk that terminated users may obtain access to the Lawson application.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

Management responsible for 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, resulting in timely removal of any non-read-only access rights as well as the removal of all access rights within 60 days of termination. Further, procedures should be established that allow management of the Lawson application the ability to enforce policies and procedures relative to timely notification of terminated employees. In addition, documentation evidencing this de-provisioning activity should be retained.

Management Response

We concur. From a preventative perspective, it is critical state agencies initiate the transactions necessary for the removal of the elevated access rights of terminated users timely, and in a manner consistent with a central policy and procedure. In order to foster a greater degree of compliance with the policies and procedures prescribed by the Department for initiating the removal of these elevated access rights, the Department has reviewed, improved, clarified and re-communicated these policies and procedures to the State's agencies and departments.

However, as the effectiveness of these policies and procedures are dependent upon compliance, the Department has also implemented additional controls to evaluate and monitor such compliance. As instances of non-compliance (untimely initiation of elevated access termination) are detected, investigations will be made and documented to confirm the terminated employee did or did not execute unauthorized transactions during the period of exposure.

Whereas the clarified procedures described above have been re-established mid-year during fiscal year 2017, the Department also intends to determine the control deficiency identified in this finding did not allow associated risks to culminate during the first half of fiscal year 2017. Initial compliance monitoring will look back at elevated access terminations initiated during the first half of the year, identify those transactions not initialized timely, and investigate to confirm unauthorized transactions were or were not executed by the terminated employee.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2016-002 –Department of Administrative Services

Insufficient / ineffective management review controls over financial reporting

Background

The Department of Administrative Services (DAS) is responsible for drafting the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of management's discussion and analysis, the basic financial statements and supporting footnote disclosures, required supplementary information, other supplementary information, and statistical information, all of which are compiled from financial data prepared and maintained centrally by DAS (e.g., governmental funds), as well as by various State entities, some of which prepare stand-alone financial statements (e.g., Turnpike System, Liquor Commission). Based on DAS's internal control structure, preparation of the CAFR has historically been the responsibility of the Financial Reporting Administrator with additional review of the CAFR and oversight over the financial reporting process performed by both the Comptroller and the Commissioner at a sufficient level of precision that would identify a material misstatement in the CAFR.

By State law (RSA 21-I:8-II), the first draft of the CAFR is due to be released by September 30th of each year unless an extension is granted by governor and council. Precedence has been, that this first draft only included the basic financial statements and footnotes that will be subject to audit, understanding that there may be subsequent minor adjustments made to this draft by DAS but none that would result in material modification. Historically, a complete, revised CAFR draft is prepared and reviewed by DAS and released to the external auditors for further review by the end of November, and then a final draft is released in early December just before the final, audited CAFR is issued. Pursuant to RSA 21-I:8-II, the CAFR must be completed and available to the public on or before December 31st of each year unless an extension is granted by the Fiscal Committee of the General Court.

Observation

Resource constraints within the financial reporting divisions of the Department of Administrative Services and key State agencies presented challenges in the current financial reporting period for timely preparation and review of the CAFR, resulting in a one-month delay in providing the initial complete draft of the CAFR for audit, several revisions to the draft due to incomplete information requiring modification, and a one-month extension granted by the Fiscal Committee to issue the audited CAFR. Additionally, several key balances presented in the basic financial statements and related disclosures presented in the footnotes contained misstatements that were identified during the audit. As a result, KPMG proposed audit adjustments in the following areas: capital assets, federal grant revenues and receivables, Medicaid liability, cash and investments, accrued unemployment benefits, and debt service. The majority of these misstatements were corrected by DAS prior to issuance of the CAFR. The uncorrected misstatements were not considered material to the financial statements.

This is a repeat finding from fiscal year 2015.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Risk

Inadequate controls in financial reporting, including those related to DAS management's review of the CAFR at an appropriate level of precision, increase the risk that a material misstatement could occur in the CAFR. There is a reasonable possibility that the insufficient / ineffective level of review performed by DAS management could result in unsupported account balances and the omission of required disclosures. Furthermore, delays in drafting financial statement footnotes and finalizing account balances further limits DAS's ability to perform a timely and meaningful review of subsequent draft versions of the financial statements to ensure adjustments are properly made throughout the CAFR.

Recommendation

DAS should continue to refine the financial reporting process to ensure all balances are finalized and significant disclosures are reviewed in a timely manner that is consistent with the State's statutory and historical financial reporting timeline. This will allow issues and questions to be addressed earlier in the process, leading to a better quality CAFR and timelier financial reporting. We also recommend that the key DAS individuals responsible for drafting the CAFR stay abreast of new and relevant Government Accounting Standards Board (GASB) pronouncements so that they can be properly accounted for and disclosed in the CAFR.

Management Response

We concur. During the fiscal year ended June 30, 2016, the Division of Accounting Services, Bureau of Financial Reporting (BFR) made steady progress in its financial reporting responsibilities, as all previously vacant financial reporting staff positions were filled throughout the year. However, the Division continues to be hampered by an overall increase in statutorily required duties without any associated increase in staffing resources to accomplish the workload increase. For the FY18-19 budget currently being developed, the Division has requested three additional financial staff positions to allow the Division to be better equipped to handle required duties and adhere to timelines.

Despite these difficulties, BFR did meet the statutory requirement to produce an initial draft of the State's FY 2016 CAFR by September 30, 2016, however, this draft was incomplete in certain aspects. In addition, BFR was unable to meet the requirement for a final CAFR by December 31, 2016, thus an extension of that deadline by one month was granted by the Fiscal Committee and the final CAFR was issued within that extended deadline.

Compounding matters during FY 2016 was the continued effects of turnover of financial staff in several state agencies, causing delays in the receipt of critical financial information on which BFR relies. We believe that, while the prescribed timeframes will still be tight, with additional communication and guidance provided to the agencies, BFR will be better able to reestablish the analysis and review necessary to produce accurate financial statements in a timely manner. While the recent resignation of the State Comptroller may delay implementation of initiatives pertaining to oversight and analysis, we have established monitoring tools required for compliance with deadlines, such as an auditee "dashboard" to be shared with agency Commissioners and the Governor's Office, in

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

order to provide regular audit status updates on pending items. Within DAS as well as with financial staff in other state agencies, we have already begun planning for the preparation of the fiscal year 2017 financial statements and we will, to the best of our ability, work to meet all requirements in fiscal year 2017.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2016-003 – The Department of Administrative Services and Adjutant General's Department

Capital assets accounting and financial reporting is not complete and accurate.

Background

The Department of Administrative Services (DAS) Long-Term Assets Policy and Procedures Manual outlines policies, definitions, and dollar thresholds for the accounting and financial reporting of the State's capital assets in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Within the DAS Manual is guidance for agencies' consideration in determining what a long-term asset is, as well as when and how to record it.

At each fiscal year closing, agencies are required to review their internal records of open and final vouchered projects to determine whether any should be added to construction in progress or capitalized as fixed assets. Agencies must then complete an "Exhibit E" spreadsheet, representing a roll-forward of capital assets and related depreciation/amortization by asset category for the fiscal year, and submit it to DAS for financial reporting. DAS management, in turn, reviews each Exhibit E for completeness, accuracy, and overall reasonableness at a sufficient level of precision to detect material misstatements in the financial statements and compiles the information for recording government-wide closing entries and preparing the Comprehensive Annual Financial Report (CAFR).

Observation

As a result of substantive audit procedures performed over capital assets as of and for the year ended June 30, 2016, KPMG identified exceptions relating to the accounting period in which capital assets are recognized by one specific State agency, The Adjutant General's Department (TAG). Upon further investigation, which involved extended testing over fiscal year 2016 capital asset additions and capital outlays as well as inquiry of TAG accounting personnel, we learned that the agency has been consistently applying a non-GAAP practice whereby all costs incurred for long-term construction projects (e.g., construction of new National Guard facilities within the State, as well improvements to existing facilities) are expensed as incurred and then capitalized only upon project completion, regardless of when these costs exceed the State's capitalization threshold. TAG defines project completion as the point at which final payment has been made on the construction contract, approval has been granted by the Division of Public Works - Design & Construction, and the asset is ready to be placed into service. Due to this breakdown in internal control, KPMG proposed an audit adjustment to recognize accumulated costs for incomplete projects as a construction in progress capital asset and to recognize in beginning net position the impact of the capital assets and related depreciation that should have been recorded in prior periods.

Additionally, a discrepancy was identified between the fiscal year 2016 depreciation expense calculated in the government-wide Exhibit E and the amount recorded at year-end. The error was attributed to DAS management oversight in preparing the closing entry and resulted in an overstatement of capital assets. KPMG proposed an audit adjustment to correct the misstatement in the accumulated depreciation balance and related expense reported in the government-wide financial statements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Risk

By delaying the recognition of capital assets and related depreciation (where applicable) until project completion, these account balances will be understated in the financial statements. Additionally, failing to review the fiscal year closing entries and underlying support for capital assets at a sufficient, appropriate level of precision increases the risk that a material misstatement could occur in the CAFR.

Recommendation

TAG should modify its internal accounting procedures to ensure that project costs are capitalized and related depreciation is recognized in the proper accounting period in accordance with State policy and U.S. GAAP. Further, DAS should refine the design of its internal management review controls to operate at a level of precision that would prevent and detect material misstatements in the CAFR.

Management Response

We concur. While the Exhibit E initially prepared by the Adjutant General's Department was not in accordance with U.S. GAAP, the department utilized the State's Long-Term Assets Policy and Procedures Manual, specifically, page 3, that reads: "For Construction in Progress assets, no depreciation is recorded until the asset is placed in service" but did not recognize that the remainder of the State's Policy applied to these transactions, which require capitalization of the assets. The department took corrective action by preparing a revised Exhibit E, as requested by DAS, for the fiscal year ended June 30, 2016, and will work with DAS to continue to ensure internal procedures result in reporting that is consistent with U.S. GAAP and State policies.

During the fiscal year ended June 30, 2016, the Division of Accounting Services, Bureau of Financial Reporting (BFR) made significant improvements in the oversight of Exhibit E reporting and the related CAFR journal entries. FY16 was the first full year for both the Financial Reporting Administrator and the Accountant responsible for overseeing the Exhibit E preparation by agencies, and we continue to enhance our review procedures as we evaluate areas of risk in financial reporting. Due to the manual nature of the capital asset journal entry preparation, an input error was made and was not detected through BFR's internal review and approval process. Going forward as part of our government-wide entry preparation, BFR will incorporate additional analysis over the summarized Exhibit E reporting, in order to enhance our detection of any manual input errors by either BFR or the agencies preparing the underlying data. BFR will continue to provide outreach to agencies as part of our annual fiscal year-end closing process, with additional focus on the proper use of Construction in Progress. In addition, BFR will perform analysis over capital project expenditures throughout the year as an additional monitoring control over agency Exhibit E reporting.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2016-004 – Department of Health and Human Services

Ineffective general information technology controls related to the New Heights application.

Background

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Observation

The State of New Hampshire uses the New Heights application for eligibility determination for certain programs. We tested the General Information Technology Controls (GITCs) related to the New Heights application for the following domains: Access to Programs and Data; Change Management; Computer Operations; Program Development. During this testing it was determined that certain controls were deemed to be ineffective for the period of July 1, 2015 - June 30,2016, as noted below.

When de-provisioning access for terminated users, access to the application should be removed in a timely manner after the date of termination of the employee. During our review, we noted that access to New Heights was not removed in a timely manner for 9 out of 25 users sampled, as the duration of time between the date of termination and the removal of access was between 17 and 117 days. For 1 of the terminations, we were unable to determine the date of access removal.

For access provisioning (new hire access and modified user access), the request and related approval of such requests should be formally documented. During our review, it was noted that for 1 out of 15 access modifications sampled, appropriate documentation evidencing approval was not available for review.

A periodic user access recertification should cover all users with access to the application during the fiscal year. During our review, it was determined that the population of users reviewed was not complete or accurate, with 588 users, out of the total population of 1762 users, not included as part of the access recertification during the period under audit.

A full restoration of the New Heights production environment should be performed on at least an annual basis to confirm the ability to restore technical and financial data. During our review, it was determined that a disaster recovery test was not completed during the audit period.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Risk

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 various agencies, for which management of the New Heights application must rely on and has no control over. 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.

With regards to modification of access for current employees, the policies and procedures related to the modification of access for employees were not followed when requesting a modification in access. When accounts are modified for active employees without using the approved forms, there is a risk that inappropriate access is granted, providing users inappropriate access to roles within the application.

With regards to periodic review of user access rights, management identified that if a user(s) were missed during the monthly review, the system used to generate the monthly review report would not select the user again for future reviews' thus making the access recertification incomplete. Excess access to application functions and capabilities increase 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.

With regards to a disaster recovery test, management indicated New Heights did not perform a disaster recovery test during the period. When data restores are not completed on a yearly basis, there is a risk that if a failure occurs the system may be unable to restore transactional data.

Recommendation

Management should reinforce policies and procedures relative to logical access de-provisioning for terminated users to ensure that access related to terminated individuals is removed in a timely manner.

Management should reinforce policies and procedures such that documentation supporting the appropriateness of logical access provisioning and de-provisioning is sufficiently maintained.

Management should perform procedures necessary to ensure that the population used to review logical access rights to the New Heights application on an annual basis is complete and accurate.

Management should perform a disaster recovery test annually to ensure the agency has the capability to restore data successfully.

Management Response

We concur with the finding.

In response to KPMG Recommendation #1 –

Overview - New HEIGHTS has an Identity Management (IdM) project. IdM will be integrated with the State of New Hampshire's Human Resources system (LAWSON) which will trigger notification to

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

the Security Administrator for employees being terminated. Security enhancements to HEIGHTS application will be made to interact with Identity Management (IdM) solution which enables operational efficiency, security compliance, and risk management to the Department of Health and Human Services (DHHS).

For non-employees it's the role of the Departmental authority who requested access to ensure timely notification to the New HEIGHTS Security Administrator. Additionally, as part of the JIRA tracking enhancement (see recommendation #2) the process will be streamlined to have periodic reviews for non-employee users. As a secondary measure the system does auto-revoke user ID's after 90 days of inactivity.

Details – The Change Control Document for the 'Security Enhancements for IdM" project is attached for complete details.

- 11/6/2015 – Requirements for Bundle 41473 'Security Enhancements for New HEIGHTS (IdM) were completed
- 11/13/2015 – Design completed
- 12/11/2015- 9/30/2016 – Construction and unit testing completed
- 9/30/2016 – 12/30/2016 – Integration testing began and is currently still in progress
- 1/3/2017 – 2/24/2017 – Scheduled for System and Regression Testing
- 2/24/2017 Anticipated implementation/production release

In response to KPMG Recommendation #2 –

Overview - New HEIGHTS is in the process of developing a new tool through JIRA to track requests to gain access to the system; level of access; changes to access privileges and terminating access levels/users.

Details – The Change Control Document for 'JIRA – Security Request Management' described in the timeline below is attached to provide the full details of the new tracking.

- November 15, 2016 a meeting was held to capture the business requirements.
- December 19, 2016 a draft Change Control Document (CCD) was released for preview and comments pending the upcoming Review Meeting.
- December 20, 2016 the CCD Review meeting is scheduled.
- Design, development and integration tested will be completed by January 20, 2017
- User Acceptance Testing is planned from January 20 – February 3, 2017 with production implementation date of February 6, 2017.

In response to KPMG Recommendation #3 –

Overview - Due to a minor system issue when attempting to retrieve users due for a review in a given month the result set was incomplete and not capturing any that were overdue. A JIRA ticket was filed (#63386) with the correction moved to production on 8/31/2016.

Details - The New HEIGHTS Security Administrator was notified by KPMG that some sample users had not had a review. On 6/28/2016 she completed a JIRA ticket stating the following to have the issue researched with a potential resolution.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

When selecting individuals that are due a review it only retrieves reviews that are due in the Month/YR. So as a result, if I did not complete a review on someone for a prior month, that individual will never show up again. Need to modify this field to not only select for example reviews that are due in July 2016, but all records that have not had a review done within the pass year. Change the name of the field from Review Due to "Review Current/Pass Due"

7/5/2016 – 8/3/2016: During this time period the issue was prioritized, researched, a code fix was developed and tested in both unit and integration.

8/3/2016 – 8/15/2016: During this time period the fix was tested by the Security Administrator in both the System and Regression region.

8/27/2016 – 8/31/2016: The fix was deployed to production with a post implementation review ensuring that when pulling reviews under the newly titled field 'Review Pass/Current' due for the month of September 2016 that it also retrieved active users who had not had a review since August 2015.

In response to KPMG Recommendation #4 –

Overview - New HEIGHTS recognizes that a test should be performed on an annual basis; however, due to a timing issue no disaster recovery was performed during the audit period (July 1, 2015 to June 30, 2016).

Details - The below shows when the last test was performed and when the next scheduled test is due to be performed.

- Disaster Recovery testing was performed July 19-21, 2016 at Sterling Forest, NY
- Upcoming Disaster Recovery test is scheduled for January 2017.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

PART III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Education ***Finding 2016-005***
N.H. Department of Education
CFDA #84.126 Rehabilitation Services- Vocational Rehabilitation Grants to States

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 #93.575/93.596 Child Care and Development Block Grant Cluster
CFDA #93.658 Foster Care – Title IV-E
CFDA #93.667 Social Services Block Grant
CFDA #93.758 Preventive Health and Health Services Block Grant
CFDA #93.889 National Bioterrorism Hospital Preparedness Program
CFDA #93.959 Substance Abuse

U.S. Department of Defense
N.H. National Guard
CFDA #12.400 Military Construction, National Guard
CFDA #12.401 National Guard Military Operations and Maintenance

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:

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Condition:

The State of New Hampshire uses the NHFIRST Lawson System (Lawson or System) for the Financial Reporting and Human Resource/Payroll functions. As a result of testing performed of Lawson, we determined that certain General Information Technology Controls (GITC) related to the System to be ineffective.

Specifically, for terminated users, access to Lawson should be removed in a timely manner after the date of termination of the employee. Upon date of termination, the Human Resource function at the agency level initiates a transaction that notifies DAS Division of Personnel, including the security management team for Lawson, that the employee has been terminated. Once notification is received, the security management team for Lawson modifies the individual's access rights such that they are limited to view-only access to the individual's payroll and benefit information. This read only access remains in place for 60 days.

During our review, we noted that, for 21 out of 25 sample selections, evidence supporting the timely removal of elevated user access rights (more than read-only access rights) was not available. Further, through review of the 2015/2016 and 2014/2015 listing of terminated employees, 235 terminated individuals were identified as still having access to the System after their 60 day read-only period had expired. Due to system limitations, management of the Lawson system does not have the ability to provide audit evidence documenting when access rights for the 235 individuals identified was reduced to read only.

Cause:

The policies and procedures in place, including the notifications that trigger removal of elevated user access for terminated employees, are decentralized across the various State agencies, for which management of the Lawson application has no control over. As such, in order to remove a terminated individual from the Lawson application in a timely manner, they must rely on timely notification from the various State agencies, and the completeness, accuracy, and timeliness of these notifications is not consistent across the State.

Effect:

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

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-003

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation:

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, resulting in timely removal of any non-Read-Only access rights as well as the removal of all access rights within 60 days of termination. Further, procedures should be established that allow management of the Lawson application the ability to enforce policies and procedures relative to timely notification of terminated employees. In addition, documentation evidencing this de-provisioning activity should be retained.

Views of Responsible Officials:

We concur. From a preventative perspective, it is critical state agencies initiate the transactions necessary for the removal of the elevated access rights of terminated users timely, and in a manner consistent with a central policy and procedure. In order to foster a greater degree of compliance with the policies and procedures prescribed by the Department for initiating the removal of these elevated access rights, the Department has reviewed, improved, clarified and re-communicated these policies and procedures to the State's agencies and departments.

However, as the effectiveness of these policies and procedures are dependent upon compliance, the Department has also implemented additional controls to evaluate and monitor such compliance. As instances of non-compliance (untimely initiation of elevated access termination) are detected, investigations will be made and documented to confirm the terminated employee did or did not execute unauthorized transactions during the period of exposure.

Whereas the clarified procedures described above have been re-established mid-year during fiscal year 2017, the Department also intends to determine the control deficiency identified in this finding did not allow associated risks to culminate during the first half of fiscal year 2017. Initial compliance monitoring will look back at elevated access terminations initiated during the first half of the year, identify those transactions not initialized timely, and investigate to confirm unauthorized transactions were or were not executed by the terminated employee.

Contact Persons:

Steve Giovinelli; Federal Grants and Cost Allocation Administrator
Steven.Giovinelli@nh.gov

Bill Armstrong; Financial Data Administrator
William.Armstrong@nh.gov

Sara Willingham; Director; DAS Division of Personnel
Sara.Willingham@nh.gov

Anticipated Completion Date:

Paragraphs 1 and 2: January 1, 2017
Paragraph 3: Prior to June 30, 2017

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S Department of Health and Human Services ***Finding 2016-006***
NH Department of Health and Human Services

CFDA #93.778 Medicaid Assistance Program
CFDA #93.575; 93.596 Child Care Development Block Grant; Child Care Mandatory and Matching Funds of the Child Care Development Fund
CFDA #93.658 Foster Care Title IV-E

Grant Year and Award: Various

Finding: Ineffective general information technology controls related to the New Heights application for the Department of Health and Human Services.

Criteria:

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

The State of New Hampshire uses the New Heights application for eligibility determination for certain programs. We tested the General Information Technology Controls (GITC) related to the New Heights application for the following domains: Access to Programs and Data; Change Management; Computer Operations; Program Development. During this testing it was determined that certain controls were deemed to be ineffective for the period of July 1, 2015 - June 30, 2016, as noted below.

When de-provisioning access for terminated users, access to the application should be removed in a timely manner after the date of termination of the employee. During our review, we noted that access to New Heights was not removed in a timely manner for 9 out of 25 users sampled, as the duration of time between the date of termination and the removal of access was between 17 and 117 days. For 1 of the terminations, we were unable to determine the date of access removal.

For access provisioning (new hire access and modified user access), the request and related approval of such requests should be formally documented. During our review, it was noted that for 1 out of 15 access modifications sampled, appropriate documentation evidencing approval was not available for review.

A periodic user access recertification should cover all users with access to the application during the fiscal year. During our review, it was determined that the population of users reviewed was not complete or accurate. 588 users, out of the total population of 1762 users, were not included as part of the access recertification during the period under audit.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

A full restoration of the New Heights production environment should be performed on at least an annual basis to confirm the ability to restore technical and financial data. During our review, it was determined that a disaster recovery test was not completed during the audit period.

Cause:

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 various agencies, for which management of the New Heights application must rely on and has no control over.

With regards to modification of access for current employees, the policies and procedures related to the modification of access for employees were not followed when requesting a modification in access.

With regards to periodic review of user access rights, management identified that if a user(s) were missed during the monthly review, the system used to generate the monthly review report would not select the user again for future reviews' thus making the access recertification incomplete.

With regards to a disaster recovery test, management indicated New Heights did not perform a disaster recovery test during the period.

Effect:

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.

When accounts are modified for active employees without using the approved forms, there is a risk that inappropriate access is granted, providing users inappropriate access to roles within the application.

Inappropriate access to application functions and capabilities increase 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 or fraud.

When data restores are not completed on a yearly basis, there is a risk that if a failure occurs the system may be unable to restore transactional data.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation:

1. Management should reinforce policies and procedures relative to logical access de-provisioning for terminated users to ensure that access related to terminated individuals is removed in a timely manner.

2. Management should reinforce policies and procedures such that documentation supporting the appropriateness of logical access provisioning and de-provisioning is sufficiently maintained.

3. Management should perform procedures necessary to ensure that the population used to review logical access rights to the New Heights application on an annual basis is complete and accurate.

4. Management should perform a disaster recovery test annually to ensure the agency has the capability to restore data successfully.

Views of Responsible Officials:

KPMG Recommendation #1 - Management should reinforce policies and procedures relative to logical access de-provisioning for terminated users to ensure that access related to terminated individuals is removed in a timely manner.

Overview - New HEIGHTS has an Identity Management (IdM) project. IdM will be integrated with the State of New Hampshire's Human Resources system (LAWSON) which will trigger notification to the Security Administrator for employees being terminated. Security enhancements to HEIGHTS application will be made to interact with Identity Management (IdM) solution which enables operational efficiency, security compliance, and risk management to the Department of Health and Human Services (DHHS).

For non-employees it's the role of the Departmental authority who requested access to ensure timely notification to the New HEIGHTS Security Administrator. Additionally, as part of the JIRA tracking enhancement (see recommendation #2) the process will be streamlined to have periodic reviews for non-employee users. As a secondary measure the system does auto-revoke user ID's after 90 days of inactivity.

Details – The Change Control Document for the 'Security Enhancements for IdM" project is attached for complete details.

- 11/6/2015 – Requirements for Bundle 41473 'Security Enhancements for New HEIGHTS (IdM) were completed
- 11/13/2015 – Design completed
- 12/11/2015- 9/30/2016 – Construction and unit testing completed
- 9/30/2016 – 12/30/2016 – Integration testing began and is currently still in progress
- 1/3/2017 – 2/24/2017 – Scheduled for System and Regression Testing
- 2/24/2017 Anticipated implementation/production release

KPMG Recommendation #2 - Management should reinforce policies and procedures such that documentation supporting appropriateness of logical access provisioning and de-provisioning is sufficiently maintained.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Overview - New HEIGHTS is in the process of developing a new tool through JIRA to track requests to gain access to the system; level of access; changes to access privileges and terminating access levels/users.

Details – The Change Control Document for 'JIRA – Security Request Management' described in the timeline below is attached to provide the full details of the new tracking.

- November 15, 2016 a meeting was held to capture the business requirements.
- December 19, 2016 a draft Change Control Document (CCD) was released for preview and comments pending the upcoming Review Meeting.
- December 20, 2016 the CCD Review meeting is scheduled.
- Design, development and integration tested will be completed by January 20, 2017
- User Acceptance Testing is planned from January 20 – February 3, 2017 with production implementation date of February 6, 2017.

KPMG Recommendation #3 - Management should perform procedures necessary to ensure that the population used to review logical access rights to the New Heights application on an annual basis is complete and accurate.

Overview - Due to a minor system issue when attempting to retrieve users due for a review in a given month the result set was incomplete and not capturing any that were overdue. A JIRA ticket was filed (#63386) with the correction moved to production on 8/31/2016.

Details - The New HEIGHTS Security Administrator was notified by KPMG that some sample users had not had a review. On 6/28/2016 she completed a JIRA ticket stating the following to have the issue researched with a potential resolution.

> *When selecting individuals that are due a review it only retrieves reviews that are due in the Month/YR. So as a result, if I did not complete a review on someone for a prior month, that individual will never show up again. Need to modify this field to not only select for example reviews that are due in July 2016, but all records that have not had a review done within the pass year. Change the name of the field from Review Due to "Review Current/Pass Due"*

7/5/2016 – 8/3/2016 During this time period the issue was prioritized, researched, a code fix was developed and tested in both unit and integration.

8/3/2016 – 8/15/2016 During this time period the fix was tested by the Security Administrator in both the System and Regression region.

8/27/2016 – 8/31/2016 The fix was deployed to production with a post implementation review ensuring that when pulling reviews under the newly titled field 'Review Pass/Current' due for the month of September 2016 that it also retrieved active users who had not had a review since August 2015.

KPMG - Recommendation #4 - Management should perform a disaster recovery test annually to ensure the agency has the capability to restore data successfully.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Overview - New HEIGHTS recognizes that a test should be performed on an annual basis; however, due to a timing issue no disaster recovery was performed during the audit period (July 1, 2015 to June 30, 2016).

Details - The below shows when the last test was performed and when the next scheduled test is due to be performed.

- Disaster Recovery testing was performed July 19-21, 2016 at Sterling Forest, NY
- Upcoming Disaster Recovery test is scheduled for January 2017.

Anticipated Completion Date:

See Corrective Action Plan above.

Contact Person:

Laurie Snow, New HEIGHTS Project Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***Finding 2016-007***
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program

Grant Year and Award:
10/1/2014 – 09/30/2015 1505NH5MAP
10/1/2015 – 09/30/2016 1605NH5MAP

Finding: Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services.

Criteria:

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 Bureau of Improvement and Integrity, Program Integrity Unit (PIU) within the Department of Health and Human Services (the Department), 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 Department's contract with the external QIO, which performs all in-state, border and specialty retrospective inpatient hospital reviews for the fee for service population.

During our testwork, we noted the Department's most recent contract with a QIO expired in September 2014. As a result, there were no utilization procedures performed during the year ending June 30, 2016 related to the review of inpatient hospital paid claims, nor have any inpatient hospital claims been reviewed since September 2014. In addition, we noted that there were 3,785 inpatient hospital claim reviews that were outstanding from the prior QIO contract that have not been reviewed and have been outstanding since September 2014.

While an RFP process was initiated, a new contract with a QIO was not approved or executed as of June 30, 2016. Based on our review of the RFP, it did not appear that the scope of work contained within the RFP would require the QIO to complete the existing outstanding inpatient hospital claim reviews.

Cause:

The cause of the condition found is primarily due to a lack of resources assigned to the PIU that has resulted in the PIU's inability to perform the required investigations or contract with an external provider.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Effect:

The potential effect of the condition found 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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-006

Recommendation:

We recommend that the Department strengthen its controls and existing policies and procedures to ensure that all required utilization reviews are completed timely and that all the identified cases in a sample are investigated timely.

Views of Responsible Officials:

We concur. The PI Unit has had constant turnover in staff and medical leave over the past several years which have been slow to replace due to hiring freezes and shortage of potential employees with the necessary clinical background. There were recently 2 more staff changes with a Nurse reviewer position open since August 2016 and a program specialist position open due to retirement 9/30/2016. PI has been allowed to hire for one of the open positions as of March 2017. One staff person from another area of OII is being moved to PI, as an add to staff, to assist with provider enrollment and other standard monitoring required by OII.

PI does have written policies and procedures, not only for Fee-for-service processes, but for the MCO oversight as well.

The QIO RFP went out last summer, all bidders were reviewed, and the contract was awarded, and the contract is with DHHS Contracts and DoIT for review. It is unknown at this time when this contract will go before G&C for approval.

It is the intent of the Bureau to work with the contractor to perform the outstanding inpatient reviews from the end of the last contract, to the extent cost recoveries would be allowed.

When the position is filled and the contract in place the backlog will begin to be addressed immediately.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Anticipated Completion Date:

The targeted completion date at this time is June 30, 2018.

Contact Person:

Tashia Blanchard, Administrator, Bureau of Improvement and Integrity

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-008***
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program

Grant Year and Award:
10/1/2014 – 09/30/2015 1505NH5MAP
10/1/2015 – 09/30/2016 1605NH5MAP

Finding: Cash management - noncompliance with the Treasury State agreement.

Criteria:

U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*). Subpart A of those regulations requires State recipients to enter into Treasury-State Agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for Federal programs listed in the Catalog of Federal Domestic Assistance that meet the funding threshold for a major Federal assistance program under the CMIA. Treasury-State Agreements also specify the terms and conditions under which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in subpart B of 31 CFR part 205 (subpart B), which at 31 CFR section 205.33(a) include the requirement for a State to minimize the time between the drawdown of Federal funds and their disbursement for Federal program purposes.

Condition:

For certain Federal programs, the Department of Health and Human Services, Office of Business Operations (the "Department"), has implemented a central draw process for the Federal programs. The process consists of using the State's accounting system (NHFIRST) to identify the Federal reimbursements amounts in accordance with the approved Treasury State Agreement (TSA). The Department requests funds for the program using an average clearance funding technique. This funding technique is interest neutral. The Medicaid program is included in the TSA with an average clearance pattern of one (1) day.

During our testwork, we performed procedures over a sample of twenty-five (25) Medicaid reimbursement requests. We noted that fourteen (14) of the Medicaid reimbursement requests related to direct program costs and were drawn with a two (2) day clearance pattern which was one (1) day outside of the approved clearance pattern thus not interest neutral.

Cause:

The cause of the condition appears to be the lack of a formal process in timely communicating the funding technique changes updated in the Treasury State Agreement.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Effect:

The effect of the condition is non-compliance with the Treasury-State agreement and potential lost interest to the State.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend that the Department review its existing procedures for drawing federal funds to ensure that all cash draw requests are performed timely in accordance with the clearance pattern established within its Treasury State Agreement.

Views of Responsible Officials:

The Department concurs that communication about changes to TSA as well as other changes made to the CMIA module of NH First could be communicated more effectively. These draws that are outside of the TSA clearance pattern are not the result of staff error since the clearance pattern is based off of the QP01 screen, which they cannot update. The reports that populated CMIA from July 1, 2015-October 2, 2015 were run the day after the expense was incurred and provided that the threshold was met, this caused the draw of cash. Once the change was made by Financial Data Management on October 2, 2015 where the reports are now run the same day as the expense, the clearance pattern should be compliant.

Anticipated Completion Date:

Completed

Contact Person:

Mary Calise, DFA Business Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-009***
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program

Grant Year and Award:
10/1/2014 – 09/30/2015 1505NH5MAP
10/1/2015 – 09/30/2016 1605NH5MAP

Finding: Lack of formal review over the report of controls at a service organization for Medicaid care management.

Criteria:

A State may obtain a waiver of statutory requirements in order to develop a system that more effectively addresses the health care needs of its population. For example, a waiver may involve the use of a program of managed care for selected elements of the client population or allow the use of program funds to serve specified populations that would be otherwise ineligible (Section 1115 of the Social Security Act (42 USC 1315)). Managed care providers must be eligible to participate in the program at the time services are rendered, payments to managed care plans should only be for eligible clients for the proper period, and the capitation payment should be properly calculated. Medicaid medical services payments (e.g., hospital and doctors charges) should not be made for services that are covered by managed care. States should ensure that capitated payments to providers are discontinued when a beneficiary is no longer enrolled for services.

Condition:

The State of New Hampshire (the State) has implemented a Medicaid Care Management (MCM) program whereby the majority of participant's eligible for health care benefits under the Medicaid program are enrolled into a managed care program. The State has contracted with two managed care organizations (MCO) to provide these services. Each MCO provides health insurance coverage to participants the State has determined to be eligible for the State's Medicaid program. The health care coverage provided conforms to the required services outlined under the State's Medicaid State plan.

Once a participant is enrolled with an MCO, all health care costs incurred on behalf of the participant are paid directly by the MCO and the individual claim is not processed through the New Hampshire's MMIS (NHMMIS) claims payment system. Instead of paying specific individual health care claims, the New Hampshire Department of Health and Human Services (the Department) is required under its contracts with the MCOs to develop capitation rates that are then applied to the number of plan enrollees each month. This calculation serves as the basis for the monthly payment to the MCOs for services it renders. As each MCO directly pays for health care claims incurred by its enrollees, the encounter data, or the detail of those claims paid, is required to be provided to the Department's actuary in order to project the estimated future costs associated with all health care claims for managed care enrollees, in addition to the claims data provided by the Department for its fee for service participants.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

During our testwork over the Department's process to monitor the transactions processed by the MCOs, we were unable to obtain documentation to support that the Department had reviewed the annual SOC 1 report for the MCOs or had performed any procedures to assess any control exceptions that may have been identified within the MCO's SOC 1 report.

We further noted, the Department did not have procedures in place to document their review over the complementary user controls and ensure the controls are documented and performed by the Department consistently during the year.

Cause:

The cause of the condition found is primarily due to insufficient controls and procedures to ensure that the Department has properly documented its monitoring procedures over transactions processed by the third party service provider.

Effect:

The effect of the condition found is that transactions could have been processed inaccurately by the MCOs and as the Department did not have sufficient documented complementary user controls implemented, it would not have been able to identify the error timely. As the Department is relying on this information in the development of its annual capitation rate, this could result in inaccurate information being provided to the independent actuary causing the capitated rate being applied to be inaccurate.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department obtain and review the MCO's SOC 1 reports and ensure their controls are operating effectively and have adequately addressed all complementary user control considerations. The Department should ensure that its complementary user controls are documented so that the controls to be performed by the Department are consistently performed during the year and properly documented. The Department should also ensure its review of the SOC 1 report is documented and addresses whether or not any control exceptions noted by the auditor have impacted the transactions processed by the MCOs on behalf of the State and determine whether other controls should be implemented by the Department to mitigate those control deficiencies.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Views of Responsible Officials:

Staffing and organizational changes last year provided opportunities to enhance Medicaid Care Management (MCM) program operations, including related financial management practices. These changes as well as recent receipt of SOC-1 reports provide unique opportunities to engage in dialog with our business partners to identify and implement process improvements to enhance complementary user controls.

Anticipated Completion Date:

- SOC-1 reports review with business partners — Targeted completion: September 1, 2017
  Including:
  - Eligibility management
  - Benefits management
  - Claims processing, adjustments, and payment
  - Provider enrollment
  - Management information system physical and logical access controls
  - Change management
  - Computer operations, including backup and storage, environmental security, external interfaces
- SOC-1 mitigation, as needed — Targeted completion: Ongoing as needed

Contact Person:

Valerie Brown, Medicaid Deputy Commissioner

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-010***
N.H. Department of Health and Human Services

CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)

Grant Year and Award:
10/01/2013-9/30/2016 4NH700743
10/01/2015-9/30/2016 4 NH 4NH700703

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.

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

The Department of Health and Human Services (the Department) did not perform timely federal drawdowns for the WIC program. During our testing it was noted that the clearance pattern was 5 days for food costs and 7 for direct service costs. The 2016 TSA specifies that the average days of clearance for the Department's reimbursement of Nutrition Services and Administration (NSA) costs paid to local agencies, should be 2 days. The drawdowns sampled during the audit were not performed in accordance with the TSA.

Cause:

Reimbursement of NSA costs to local agencies failed to meet the requirements due to the TSA being updated to an average clearance of 2 days instead of 5 and 7 used in practice in 2016.

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. The manual procedures at WIC remained the same during the fiscal year.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Effect:

The Department was not in compliance with the cash management requirements of the WIC program.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department of Health and Human Services should strengthen their internal controls over compliance with the cash management requirements of the WIC program, by ensuring the TSA agreement properly reflects practice of the program.

Views of Responsible Officials:

The Department does concur that the internal controls over compliance with cash management driven by the State's CMIA subsystem need to be strengthened and that internal communication was not adequate. Had the necessary communication taken place the Department would have noticed that Treasury had never updated the CMIA clearance patterns as had been communicated on May 7, 2015 both at July 1, 2015 as well as when the amended 2016 TSA was sent out in June of 2016. The Department will update policies around the review of the TSA and the communication of any changes that impact the Department's federal programs.

Anticipated Completion Date:

July 1, 2017

Contact Persons:

Mary Calise, DFA Business Administrator and Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

N.H. Department of Health and Human Services ***2016-011***

CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)

Grant Year and Award:
10/01/2013-9/30/2016 4NH700743
10/01/2015-9/30/2016 4 NH 4NH700703

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:

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

The service organization has not provided 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) Type II report. Type I and Type II reports provide 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. However, a Type II 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:

Although this finding was originally identified in the prior year audit of the WIC program, the Department has incorporated a requirement for a SOC 1 report into the existing Starlinc contract, but only a Type I report was provided.

Effect:

The Department has not ensured the controls that were designated to be in place within the Starlinc system are operating effectively to prevent material non-compliance with the laws, regulations, and the provisions of contracts or grant agreements of the WIC program.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-012

Recommendation:

The Department should require the service organization hosting, maintaining, and operating the Starlinc system to provide the Department with an annual SOC 1 Type II report into the existing contract and ensure its incorporation into future requests for proposals and contracts. In the absence of a SOC 1 Type II 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.

Views of Responsible Officials:

The contract was updated and the SOC 1 Type I report has been received. The remaining deliverable is the SOC1 Type II report and is expected prior to the end of the contract or 6/30/2017.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Anticipated Completion Date:

July 1, 2017

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

N.H. Department of Health and Human Services ***2016-012***

CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)

Grant Year and Award:
10/01/2013-9/30/2016 4NH700743
10/01/2015-9/30/2016 4 NH 4NH700703

Finding: Lack of control over the review of the report used to determine compliance with the special test – authorization of above 50% vendors.

Criteria:

Section 200.303 of Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) indicates that the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

In order to comply with the WIC requirement (7 CFR Section 246.12(g)(4)), that each State agency annually must implement procedures approved by Food and Nutrition Services (FNS) to identify authorized vendors and vendor applicants as either above-50-percent vendors or regular vendors. 50% vendors derive more than 50% of their annual food sales revenue from WIC checks. The State Agency monitors vendors on an annual basis. It is the State of New Hampshire's policy to not allow any 50-percent vendors to be authorized as useable vendors for WIC operations.

Condition:

The State utilizes the WIC 6 report from the USDA, a comparison of WIC annual redemptions against SNAP annual redemptions to identify potential 50-percent vendors. If the vendor's total WIC annual redemptions is greater than the vendors total SNAP annual redemptions, the vendor is considered a potential 50-percent vendor.

Of the vendors included in the WIC 6 report, the State performs a 50-percent vendor analysis. To perform the 50-percent analysis, the State first obtains Vendor/Store annual gross sales from the vendor(s) identified by the WIC 6 report. A percentage determined by vendor classification is then used to determine the estimated total food sales.

New Hampshire WIC's Vendor Manager runs the entire process.

Cause:

The Vendor Manager monitors the inspection of vendors. It appears that there is no segregation of duties regarding the identification, evaluation and authorization of 50-percent vendors.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Effect:

Potential noncompliance with special test requirements due to a lack of internal controls over the process.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend someone other than the preparer of the "Above 50% vendor analysis" review the calculation and agree with the determination made by the vendor manager. This segregation of duties will help to ensure vendor monitoring is achieved.

Views of Responsible Officials:

The process will be formally documented and the supervisor will sign off on the 50% Vendor Analysis form after the review.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-013***
N.H. Department of Health and Human Services

CFDA # 10.557 Special Supplemental Nutrition for Women, Infants, and Children (WIC)

Grant Year and Award:
10/01/2013-9/30/2016 4NH700743
10/01/2015-9/30/2016 4 NH 4NH700703

Finding: Non-compliance with parts of subrecipient monitoring and cash management requirements:

1. ***No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not formally evaluated,***
2. ***Payments made to subrecipients did not contain all of the required information, and***
3. ***The Department did not establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.***

Criteria:

2 CFR 200 Subpart D – Post Federal Award Requirements, Subrecipient Monitoring and Management, requires a formal risk assessment for all subrecipients to support the level of monitoring required. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

§200.331 requires pass-through entities to formally evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward, as specified below:

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). Included in this CFR are requirements to include award information at the time of disbursement of funds to the subrecipient.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

The requirements for cash management are contained in 2 CFR 200.302(b)(6) and 200.305, 31 CFR part 205, 48 CFR sections 52.216-7(b) and 52.232-12, and include the requirement that the pass-through entity establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.

Condition:

The State of New Hampshire uses sub-recipients to perform programmatic portions of the WIC program. During our review, we noted there were no controls over evaluating the sub-recipient risk of non-compliance, and no formal evaluations were performed on the 4 subrecipients tested.

Payments to the subrecipients did not include all of the required terms such as CFDA#, and award name at the time payment is made.

Further, we did not find any evidence that procedures and controls exist to ensure that subrecipients spend the federal funds passed through to them timely.

Cause:

The Department needs to continue to increase its awareness of and compliance with the subrecipient monitoring requirements and the cash management requirements related to subrecipients included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring and related Cash management federal regulations.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. Procedures implemented should include, ensuring a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor, making payments to subrecipients that include all of the required information, and establishing procedures to ensure the subrecipients timely spend federal funds passed-through to them.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Views of Responsible Officials:

1) We concur with the finding. The Division will request the process for the Risk analysis be evaluated for compliance with the Uniform Guidance.

2) The Division has initiated new payment processes to include the necessary information on payments.

3) Payment policies will be reviewed and updated for compliance with the Uniform Guidance.

Anticipated Completion Date:

July 1, 2017

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-014***
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 the Child Care and Development Fund

Grant Year and Award:

10/1/2015 – 9/30/2018	***2016G996005***
10/1/2015 – 9/30/2016	***2016G999004***
10/1/2015 – 9/30/2016	***2015G999005***
10/1/2014 – 9/30/2017	***2015G996005***
10/1/2014 – 9/30/2015	***2015G999004***
10/1/2014 – 9/30/2015	***2015G999005***
10/1/2013 – 9/30/2016	***2014G996005***
10/1/2012 – 9/30/2015	***2013G996005***

Finding: Noncompliance with components of the health and safety special test.

1. ***Controls over and compliance with the Health and Safety federal requirements need to be strengthened.***
2. ***Controls over the annual monitoring visits to ensure providers are meeting the Health and Safety requirements need to be strengthened.***
3. ***Controls over re-licensing visits did not operate effectively, and provider annual visits not performed.***
4. ***Re-licensing visits not reviewed by supervisor prior to the provider license renewed.***
5. ***Provider immunizations are not required for licensing, as required by the CCDF State Plan.***
6. ***Two Provider Agreements were missing.***

Criteria:

As part of their Child Care Development Fund (CCDF) 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).

In accordance with the State CCDF Plan, approved by the Federal Government, the State Department of Health and Human Services (the Department) utilizes annual unannounced visits to effectively enforce the licensing requirements. The State CCDF Plan also requires provider immunizations as part of the requirements for prevention and control of infectious diseases.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Further, in accordance with 2 CFR section 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Department's key controls to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements, include: maintaining provider agreements with all providers and having a licensing supervisor review all re-licensing site visits prior to the issuance of a new license.

Condition:

During our testwork over the Health and Safety requirements, we noted that there are no controls in place to ensure the annual unannounced site visits are performed. We selected 40 providers for testing and noted that four of the providers did not have an unannounced (or announced) site visit within the year.

During our testwork we noted the Department does not require provider immunizations as part of the licensing process and does not check for proof of immunizations during the site visits or re-licensing process, as documented in the CCDF State Plan.

We also noted that seven of the 40 providers had a re-licensing visit not reviewed by a supervisor. Additionally, two of the 40 providers were missing provider agreements.

Cause:

The cause of the condition found is due to the lack of procedures in place to ensure proper monitoring is taking place. The cause is also due to a lack of staff to support the volume of monitoring visits. The licensing procedures do not require immunizations which is inconsistent with the CCDF plan.

Effect:

The State of New Hampshire is not in compliance with the monitoring requirement of the Health and Safety special test.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation:

We recommend the Department implement controls over the annual unannounced site visit to ensure providers are meeting the Health and Safety requirements, and annual visits are conducted.

We recommend the Department implement controls to ensure that all re-licensing visits are reviewed by a supervisor prior to license being renewed, and provider agreements are obtained and maintained.

We recommend the Department require provider immunizations, as documented in the State Plan, as part of the licensing process to ensure the requirements for prevention and control of infectious diseases are met.

Views of Responsible Officials:

#1, 2 and 3- #1 Internal controls over and Compliance with the Health and Safety federal requirements need to be strengthened. #2. Controls over the annual monitoring visits to ensure providers are meeting the Health and Safety requirements, need to be strength. #3. Controls over re-licensing visits did not operate effectively, and provider annual visits not performed.

During our testwork over the Health and Safety requirements, we noted that there are no controls in place to ensure the annual unannounced site visits are performed. We selected 40 providers for testing and noted that four of the providers did not have an unannounced (or announced) site visit within the year.

Views of Responsible Officials:

In 2016, the Department was able to complete 94% of its required annual visits. The Department hired one additional licensing inspector in January 2017, and anticipates the hiring of another licensing inspector soon. Although the finding was partially characterized as a "lack of a schedule and procedures in place to ensure proper monitoring is taking place," the Department does not concur with that assessment. The Department utilizes a monitoring report that indicates which programs have yet to receive an annual visit, and prioritizes visits accordingly. Inspectors are assigned their own areas to cover and they use the report in their planning. Inspectors and their supervisors routinely review this report to determine when visits may need to be assigned to others to ensure all programs receive an annual visit, while also ensuring complaints are investigated quickly. This process will continue. The chief and the supervisors will meet monthly to review the monitoring report to identify and address scheduling concerns.

Anticipated Completion Date:

The Department's ability to complete timely annual monitoring visits of licensed providers will improve with the hiring of additional staff. Once the new licensing coordinators are hired and fully trained, in approximately 4-6 months, 11 licensing coordinators will have an average of 81 programs to monitor, and the 12th licensing coordinator, centrally located in the state, will be assigned inspections as needed to ensure the annual monitoring visits are completed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

New administrative rules will go into effect in June 2017, which will necessitate longer inspections in order to assess for the new requirements, and providers will likely require technical assistance on these requirements during the inspection. Also, the Department is required to begin monitoring license-exempt providers receiving CCDF funds in October 2017. With these conditions, the Department anticipates that all licensed and licensed-exempt providers will receive an annual visit in 2018.

#4. Re-licensing visits not reviewed by supervisor prior to the provider license renewed.

We also noted that seven of the 40 providers had a re-licensing visit not reviewed by a supervisor.

Views of Responsible Officials:

The Department had recently changed its procedures regarding supervisory review of findings by no longer requiring a review if no critical violations were found. As a result, 7 renewal inspections which resulted in no critical findings did not have supervisory review before being issued. That procedure has since changed and all renewal inspections will be reviewed by a supervisor before a renewed license is issued. This review will be noted on the site visit report and/or the online database with the name of the supervisor and the date reviewed.

Anticipated Completion Date:

The change in the review process was communicated to staff on January 19, 2017, and the written procedures were changed as of February 10, 2017.

#5. Provider immunizations are not required for licensing, as required by the CCDF State Plan.

The cause of the immunizations is due to a discrepancy between the approved State CCDF plan and the licensing procedures.

Views of Responsible Officials:

The Department acknowledges that the CCDF State Plan did have a requirement for providers to have immunizations. However this was mistakenly reported as a requirement, and is not in the current State Plan, as providers are not required to have immunizations.

Anticipated Completion Date:

No completion date required.

#6. Two Provider Agreements were missing.

Views of Responsible Officials:

The Department has controls in place to ensure that provider agreements are included in the file at enrollment and updated every 3 years at re-enrollment. However, it is unknown why these controls failed in these two cases.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

The Child Development Bureau acting Enrollment Specialist has a checklist in each provider's file that is completed prior to enrollment or re-enrollment. The checklist is updated manually when documents are received by placing a check mark next or the date the document was received next to the name of the document received. Documents are immediately placed in the file. The file is placed in the file drawer at the desk of the Enrollment Specialist until all documents are received and enrollment or re-enrollment is complete. The file is placed in the file cabinet at that time as an open, enrolled provider.

The Child Development Bureau will add a signature line to the checklist to be signed verifying that the Enrollment Specialist has reviewed the list and the file again prior to enrollment and re-enrollment and that all documents are present. This will create more accountability in ensuring that all forms have been received and placed in the file before completing the provider's enrollment or re-enrollment and placing the file in the file cabinet.

Currently, Child Development Bureau staff are checking each file for completeness whenever any action is taken with a file.

The Child Development Bureau will institute a random audit of 10 out of approximately 1,100 total provider files per month, of both licensed and license-exempt providers, to ensure that all required forms are in the file. This will be in addition to the checks and double checks that will be done to complete the enrollment or reenrollment process of providers each month. Approximately 75% of enrolled providers are licensed; 7 files of licensed providers will be checked and 3 files of license exempt providers will be checked. If the monthly error rate in any given month exceeds two files with one or more missing documents, the following month will check 20 files, until three consecutive months with no more than two files with missing documents are achieved. For any file found to be missing documents, the provider will be contacted and required to submit the documents. For any month where there are two or more files with missing documents, this shall be reported in writing to the Child Development Bureau (CDB) Administrator to assess the need for additional systemic changes to be made to reduce the number of errors.

Anticipated Completion Date:

The signature line has been added to the enrollment checklist and will be used beginning immediately.

The implementation of the random audit is expected to take approximately 6 months to complete, with an anticipated completion date of September 1, 2017. We are currently short-staffed and it is unclear who will complete the audit, but the position is identified. Milestones to be completed:

- identify specific person to perform the audit;
- identify methodology for choosing the files;
- create method to track which files were audited, whether the provider is licensed or license-exempt, number of missing documents, which documents were missing, when provider was contacted, and date the form(s) was provided;
- determine policy for number of days provider has to submit the missing documentation;
- determine authority or need to create authority to close providers or suspend payment for documents not submitted; and
- create method to track the number of files audited each month and whether the CDB Administrator was notified.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

The effectiveness of the implementation of these controls will be evaluated by the number of consecutive months with two or fewer files having any missing documentation, with the goal being to achieve a period of 6 consecutive months over the next FFY biennium (by September 30, 2019). Of course, the hope is to eliminate missing documents from provider files.

Contact Person:

Melissa Clement, Chief Child Care Licensing Unit
melissa.clement@dhhs.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-015***
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 the Child Care and Development Fund

Grant Year and Award:

FY2013 Discretionary Funds	***10/1/2012 – 9/30/2015 2013G996005***
FY2014 Matching Funds	***10/1/2013 – 9/30/2015 2014G999005***
FY2014 Discretionary Funds	***10/1/2013 – 9/30/2016 2014G996005***
FY2015 Matching Funds	***10/1/2014 – 9/30/2016 2015G999005***
FY2015 Mandatory Funds	***10/1/2014 – 9/30/2016 2015G999004***

Finding: No controls over the period of performance requirements. discretionary funds are not obligated by the end of the succeeding fiscal year after award, as is required.

Criteria:

In accordance with, 45 CFR 98.60, Child Care Development Funds are required to be obligated and liquidated within a specified amount of time based on the type of funds.

Discretionary Funds are required to be obligated by the end of the succeeding fiscal year after award and liquidated by the end of the third fiscal year after award. Temporary Assistance for Needy Families (TANF) transfers to CCDF are considered Discretionary Funds.

Federal and non-Federal Matching Funds as well as Mandatory funds are required to be obligated by the end of the fiscal year in which they are awarded. Federal and non-Federal Matching Funds must be liquidated by the end of the succeeding fiscal year after the award.

Obligations may include sub-grants or contracts that require the payment of funds to a third party. Any funds not obligated during the obligation period will revert to the Federal Government. Any funds not liquidated by the end of the liquidation period will also revert to the Federal Government.

Condition:

The Department of Health and Human Services (the Department) does not have controls over ensuring the obligation or liquidation requirements noted above are met. The Department attempts to liquidate the funds prior to the obligation period, and during our testwork, we noted the Matching and Mandatory Funds were liquidated by the obligation period, even though there doesn't appear to be controls in place to ensure this occurs annually. The Discretionary Funds, however, were not liquidated by the obligation period required above. $693,161 of FY2014 Discretionary Funds were unobligated at the end of the obligation period. The Department did not comply with the period of performance requirements.

Cause:

The cause of the condition found is due to a lack of controls over the period of performance requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Effect:

The Department is not in compliance with the requirement of the period of performance requirements.

Questioned Costs:

$693,161 of FY2014 Discretionary Funds unobligated at the end of the obligation period.

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department implement controls over and comply with the obligation and liquidation of the CCDF funds to ensure compliance with the period of performance requirements.

Views of Responsible Officials:

The Department concurs that of the $693,161 of unobligated FY 2014 Discretionary funds $460,894 of the funds were incurred against unobligated expenditures and that $232,267 of the expenditures were incurred from contractual obligations. The Department will review the policies and procedures in place over the period of performance of federal awards to identify risks and internal control deficiencies. The Department will then take action to revise the policies and procedures as necessary to incorporate sufficient internal control to provide reasonable assurance of future compliance.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Mary Calise, DFA Business Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-016***
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 the Child Care and Development Fund

Grant Year and Award:

10/1/2015 – 9/30/2018	***2016G996005***
10/1/2015 – 9/30/2016	***2016G999004***
10/1/2015 – 9/30/2016	***2015G999005***
10/1/2014 – 9/30/2017	***2015G996005***
10/1/2014 – 9/30/2015	***2015G999004***
10/1/2014 – 9/30/2015	***2015G999005***
10/1/2013 – 9/30/2016	***2014G996005***
10/1/2012 – 9/30/2015	***2013G996005***

Finding: Incentive payments to providers were not approved by the Federal government.

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.

In accordance with 42 USC 9858c(3)(A), the State Plan, approved by the Federal Government, documents the allowable activities that the State will use the amounts provided to the State for each fiscal year under the Child Care and Development Block Grant Funds (CCDF).

Condition:

During the year, the Department of Health and Human Services (the Department) distributed incentive payments to providers to utilize unspent CCDF amounts.

The incentive payments were intended to be an incentive for providers to continue to participate in the Child Care Scholarship program. Payments were distributed in June 2016 to child care providers who had provided child care to at least one CCDF child during the calendar year 2015. The payment was for $75 for each child served by the provider during that time. If the child had received payment for employment-related and protective or preventive child care during that time, the provider received two payments for that child.

Providers were encouraged, not required, to use the money towards some form of quality investment but were able to spend the money at their discretion. The Department did not monitor what the incentive was spent on. Also, the incentive payments were not included in the State Plan and did not have Federal approval. The total incentive payments were $792,720.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Cause:

The cause of the condition found is due to a lack of controls over payments outside of the State Plan.

Effect:

The State of New Hampshire expended Federal awards for potential unallowable activities.

Questioned Costs:

$792,720

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department implement controls over the payments that are outside of the State Plan.

Views of Responsible Officials:

The Department will review the State Plan prior to the issuance of any future payments that are not part of regular business to determine if they are allowable expenses described in the Plan. If not, the Department will contact the Regional Office of Child Care to determine if they are allowable expenses, and if so, under what circumstances. If it is determined that the payments are not allowable under CCDF regulations, the department will not proceed with issuing the payment. If it is determined that the payments are allowable under CCDF regulation, the department will work with the Regional Office of Child Care to determine appropriate controls to be put in place to monitor acceptable and appropriate use of the funds. The State Plan will be amended as appropriate.

Anticipated Completion Date:

Since the Department does not have any plans to issue any future payments that are not part of regular business, it is anticipated that the corrective action plan is complete.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Should the department consider any such payments in the future, milestones would be:

- check the State Plan to see if this type of payment is included in the plan;
- contact the Regional Office of Child Care to determine if payments are allowable;
- if so, work with the Regional Office of Child Care to determine appropriate controls to monitor acceptable and appropriate use of the funds;
- develop the controls;
- issue payment;
- implement controls to monitor acceptable and appropriate use of funds; and
- submit amendment to State Plan.

Effectiveness of the implementation of this corrective action plan is that no future payments will be issued that are not approved by the Regional Office of Child Care and included in the State Plan.

Contact Person:

Kristin Booth, Administrator, DHHS/DCYF/Child Development Bureau
kristin.booth@dhhs.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-017***
N.H. Department of Health and Human Services

CFDA #93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Grant Year and Award:
10/1/2015 – 9/30/2016 2016G999005
10/1/2014 – 9/30/2015 2015G999005

Finding: Cash drawdowns are not in compliance with the matching requirements for the matching funds.

Criteria:

A State is eligible for Federal matching funds (limit specified in 42 USC 618 and 45 CFR section 98.63) only for those allowable State expenditures that exceed the State's Maintenance of Effort (MOE) requirement, provided all of the Mandatory Funds (CFDA 93.596) allocated to the State are also obligated by the end of the fiscal year (45 CFR section 98.53). State expenditures will be matched at the Federal Medical Assistance Percentage (FMAP) rate for the applicable fiscal year. According to the FMAP the rate is 50% for New Hampshire.

For the Matching Fund's (CFDA 93.596) requirement, the drawdown of Federal cash should not exceed the federally funded portion of the State's Matching Funds, taking into account the State matching requirements. For any period, the amount of Federal funds drawn down should not exceed 50% of the total expenditures for that period (31 CFR section 205.15(d)).

In programs utilizing mandatory matching of Federal funds with State funds, a State must not arbitrarily assign its earliest costs to the Federal government. A State incurs interest liabilities if it draws Federal funds in advance and/or in excess of the required proportion of agreed upon levels of State contributions in programs utilizing mandatory matching of Federal funds with State funds.

In accordance with the Cash Management Improvement Act Agreement between the State of New Hampshire and the Secretary of the Treasury the drawdown techniques for Matching funds is a three day average clearance from the disbursement and estimated draw for administrative expenditures done bi-weekly which are adjusted quarterly by cash balance draws.

Condition:

During our testwork over the Cash Management requirements, we noted the average clearance draws and the estimated bi-weekly draws were drawn at 100% of expenditures. We selected nine draw requests. Of the nine, five were average clearance draws or estimated bi-weekly draws. All five were drawn at 100%. The other four draws were cash balance draws.

One of the cash balance draws for Matching included Mandatory expenditures at 100%. The remaining cash balance draws tested appear correctly calculated based on 50% of expenditures.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Cause:

The cause appears to be the lack of precision in the review during the drawdown process.

Effect:

The State of New Hampshire is not in compliance with the cash management requirements of the Matching Funds.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department implement controls over the matching of drawdowns to ensure the amount of Federal funds drawn down should not exceed the FMAP rate of the total expenditures for that period.

Views of Responsible Officials:

Federal regulations do not specify the period over which the amount of Federal funds drawn down should not exceed 50% of the total expenditures in order to comply with the matching requirements of the program.

The Department has defined this period as quarterly. At the close of the quarter any cash drawn for the matching program is compared to the allowable federal share of the expenses incurred and if cash is owed to the Department it is drawn; if cash is owed to the Federal program it is returned. This process has been in place for several years.

However, the Department acknowledges this quarterly cycle should be re-evaluated to determine its adequacy in complying with the requirement not to “arbitrarily assign its earliest costs to the Federal government” or drawing “Federal funds in advance and/or in excess of the required proportion of agreed upon levels of State contributions in programs utilizing mandatory matching of Federal funds with State funds”.

Accordingly, the Department will review the alignment of its current practices against the matching and cash management requirements of the program to improve compliance.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Anticipated Completion Date:

June 30, 2017

Contact Person:

Mary Calise, DFA Business Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-018***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Award:
07/1/2015 – 03/31/2016 2015G994107
10/1/2015 – 06/30/2016 2016G994107

Finding: In-kind contributions were used to meet the required Federal match. Controls over adjustments to record the match are not operating effectively.

Criteria:

The State Department of Health and Human Services (the Department) is required to match federal funds for the Title IV-E training for the Foster Care Program in the amount of 25%. (42 USC 674(a)(3)(A)) In accordance with the Child Welfare Policy Manual, public funds consisting of cash outlays may be used as the State's share in claiming Title IV-E training costs, however, in-kind contributions are not permitted.

Condition:

The Department receives training under the Foster Care Program from four third-party, public entities. The Department has contracts with all four entities that provides for a cost-share arrangement. The Department pays the third parties for a portion of the actual training costs and the public entities pay for the remaining costs which is documented in invoices from the vendors. During our testwork we noted that one of the public entities invoiced "in-kind" in addition to its actual cost outlays. The Department included these in-kind costs as part of the vendors cost share used by the Department to match the federal training funds. These in-kind contributions are not permitted as an allowable match.

Cause:

The cause of the condition found is due to ineffective review controls over the adjustments made to record the public funds match.

Effect:

The Department used an unallowable source of matching contributions to meet the federal match requirement.

Questioned Costs:

$25,093

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Repeat Finding:

No

Recommendation:

We recommend the Department implement controls to ensure the source of the matching contributions is allowable per the requirement and regulations.

Views of Responsible Officials:

DCYF will ensure that the DCYF Training Contracts manager and the Office of Finance payment of invoices will know the amount of contractor match allowed per contract per contract period and track how much contractor match has been expended. Once the entire contractor match has been expended, state general funds will be used for that portion of the DCYF Training contracts.

Anticipated Completion Date:

March 31, 2017

Contact Person:

Rebecca Lorden, DCYF Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-019***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Award:
07/1/2015 – 03/31/2016 2015G994107
10/1/2015 – 06/30/2016 2016G994107

Finding: Maintenance payment rates are not reviewed annually, and have not been changed for several years. The Title IV-E plan does not document the Federally required periodic review.

Criteria:

Title IV-E agencies establish payment rates for maintenance payments (e.g., payments to foster parents, child care institutions or directly to youth). The Title IV-E agency's plan approved by The Children's Bureau of the Administration for Children and Families (ACF) must provide for periodic review of payment rates for Foster Care maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program. Additionally, the State Department of Health and Human Services (the Department) is required to periodically review the amounts paid as foster care maintenance payments to assure their continuing appropriateness. (42 USC 671(a)(11).

In accordance with RSA 170-G:4, the Department shall review annually the rates established. This annual review shall consider the effects of the established rates on current costs, quality and availability of services.

Condition:

The Department plan approved by the ACF does not provide procedures or requirements related to the required periodic review noted above.

Title IV-E providers are comprised of both in-state and out-of-state providers. The Department does not set rates for out-of-state providers. Within in-state providers there are group homes and general foster homes. During our testwork we noted there are 44 in-state group homes, of which 30 of the 44 have board and care rates (effective during the fiscal year 2016) that were established between 2007 and 2010, and unchanged since then. All of the general foster care home rates (effective during the fiscal year 2016) were established in 2011, and were unchanged since then.

During our testwork, we were unable to determine whether the Title IV-E rates for maintenance payments were reviewed periodically in accordance with the federal regulations noted above.

Cause:

The cause of the condition found is due to the State regulations not allowing the Department to change the rates.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Effect:

The Department is not in compliance with the requirement to review the rates periodically for reasonableness.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department annually review the rates established in accordance with the federal requirements and in accordance with RSA 170-G:4.

Views of Responsible Officials:

As noted by KPMG the Department's ACF approved plan does not provide procedures or requirements related to the required periodic review. The Department has been prohibited by language contained in House Bill 2 (HB2), for the last several biennia, from increasing rates.

Consultation with the Division's attorney resulted in the following being provided:

HB2 the "trailer bill" is statutory law and like any other statute can suspend, limit or repeal existing statutes or rules. In fact there's a Supreme Court case with a holding to that effect, Warburton v. Thomas, 136 N.H. 383 (1992).

*Both the SFY 14-15 and SFY 16-17 iterations of HB2 provide that "**Notwithstanding any provision of law or administrative rule to the contrary**… " provider rates for the respective bienniums "shall be no greater than the rates in effect for the particular service, placement or program…" as of the end of the previous biennium. I think this language effectively trumps the rate setting provisions of RSA 170-G:4. The department has and continues to set rates in accordance with the requirements of HB 2.*

Based on the legal opinion the Department does not feel it is in violation of RSA 170-G4.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Anticipated Completion Date:

Not Applicable

Contact Person:

Mary Calise, DFA Business Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S Department of Health and Human Services ***2016-020***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Award:
07/1/2015 – 03/31/2016 2015G994107
10/1/2015 – 06/30/2016 2016G994107

Finding: The age ranges indicated on the foster home licenses are not adhered to, and there are no controls in place to monitor the age ranges identified on the license.

Criteria:

Title IV-E maintenance payments (e.g., payments to foster parents, child care institutions or directly to youth) are allowed only if the child is eligible and the provider, whether a foster family home or a child-care institution is licensed by the proper State foster care licensing authority responsible for licensing such homes or child care institutions. (42 USC 671(a)(10) and 672(c)).

Within the State Department of Health and Human Services (the Department), The Child Care Licensing Unit (CCLU) and Child Development Bureau (CDB) is responsible for licensing the Title IV-E providers. The license issued by the Department is subject to certain conditions, including effective dates, age ranges and number of foster children.

Condition:

During our testwork we noted that 2 of the 40 children selected were placed in general foster homes that had age ranges identified on the license, for which the home was licensed for, outside of the child's age.

There are no controls in place to monitor the age ranges identified on the license.

Cause:

The cause of the condition found is due to the belief by the Department that all foster homes are licensed for ages 0 – 21. The ages listed on the licenses is the foster home preference which in the Department's view does limit the home from accepting children outside the range of their primary preference.

Effect:

The Department is not in compliance with the requirement of the maintenance payments to a child in eligible providers for each child.

Questioned Costs:

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department implement controls over ensuring the age specifications identified on the license agree with the ages of the children in the homes.

Views of Responsible Officials:

This finding is concerned with the stated age ranges on the actual license not matching the age(s) of the child(ren) placed in the home. The age ranges on the physical license were originally intended to capture the age of the child that the applicant desired to serve or adopt in combination with the age range that the home study practitioner recommended as the best age group for the foster family. All foster homes are eligible to care for children from birth to age 21 and this detail was used to guide matching. It is a searchable feature in our SACWIS system and was used when there were more foster families than there were children needing placement.

After reviewing this information with the KPMG Auditor we immediately changed all new and renewal licensing to be documented with the age span of 0 to age 21 years old. Due to our current shortage of foster families available for new placement we are often contacting foster parents to serve children outside of their preferred age range. If our recruitment and licensing efforts produce enough available foster families to meet our needs, we will return to adding the preferred and/or recommended ages to the license.

Anticipated Completion Date:

This compliance concern was immediately addressed on of January 13, 2017 and will continue to be monitored moving forward. New licensing will state 0 – 21 and ages will be adjusted on open licenses during the renewal process.

Contact Person:

Kathleen M. Companion, DCYF Foster Care Manager
Kathleen.Companion@dhhs.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-021***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Award:
07/1/2015 – 03/31/2016 2015G994107
10/1/2015 – 06/30/2016 2016G994107

Finding: Controls over eligibility requirement to perform background checks in other states should be strengthened. The Provider application does not inquire of the other States, a prospective foster or adoptive parent and any other adult living in the home, have resided in the preceding 5 years.

Criteria:

A Title IV-E agency must check, or request a check of, a State-maintained child abuse and neglect registry in each State the prospective foster and adoptive parents and any other adult(s) living in the home have resided in the preceding 5 years before the State can license or approve a prospective foster or adoptive parent. (42 USC 671(a)(20)(B)

Condition:

During our testwork we noted the Foster Care application does not include a question related to the other States the potential provider or any other adult living in the home has resided in the preceding 5 years before licensing. The Department appears to identify the other States the potential provider has lived during the home study visit conducted by resource workers. However, our review of the home study visit's indicated that the other States someone has lived in, is deduced from other information obtained. For example, if a potential foster parent indicates they have owned their home in New Hampshire for the previous 7 years, the resource worker accepts this as proof the potential person has not lived elsewhere during that time.

We noted the following missing or incomplete information in the home study visits review:

- A couple who previously lived in Massachusetts and was a New Hampshire Foster Home through an Interstate Compact on the Placement of Children, later moved to New Hampshire. But it doesn't appear the Department received information from Massachusetts or requested background checks about the couple.
- A person from Maine and a person from Massachusetts, married in New Hampshire in 2012. There was no indication in the file of when they moved to New Hampshire. It doesn't appear there were background checks completed in any other states.
- A woman, who was previously licensed by New Hampshire added a person to the license in 2015. The person was born in Massachusetts. There was no indication in the file of when he moved to New Hampshire. It doesn't appear there were background checks completed in any other states.
- A couple from other states, married in New Hampshire in 2009. There was no indication in the file of when they moved to New Hampshire. It doesn't appear there were background checks completed in any other states.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

- A couple that was initially licensed in New York for two years moved to New Hampshire in 2007. It doesn't appear the Department received any information from New York or did background checks in any other states.
- A licensed New Hampshire foster parent married a man from Massachusetts in New Hampshire in 2012. There was no indication in the file of when he moved to New Hampshire. It doesn't appear there were background checks done in any other states.

Cause:

The cause of the condition found is due to the application not including a question related to the other States the potential provider or any other adult living in the home has resided in the preceding 5 years.

Effect:

The Department is not in compliance with the requirement to check, or request a check of, a State-maintained child abuse and neglect registry in each State the prospective foster and adoptive parents and any other adult(s) living in the home have resided in the preceding 5 years before the State can license or approve a prospective foster or adoptive parent.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department include on the application for prospective foster and adoptive parents to identify where he/she has lived in the previous 5 years, and perform background checks also based on this information.

We recommend the Department implement controls to ensure the required background checks are checked or requested in all the other states where any adults have lived in the previous 5 years, prior to issuing a license.

Views of Responsible Officials:

This finding is concerned with the review of the child and abuse registry in states where the applicant has previously resided if they have not resided in NH for the past 5 years. Our Administrative Rule requires 7 years and many of the files did pass this review. Some of the foster files reviewed were older licensed families prior to the time that this became routine in practice. Two of the files involved families who were licensed foster homes in the state they previously resided in prior to moving to NH and the "practice" at the time was to accept that their records had already been cleared by the previous state as evidenced by their license. The other files that

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

were out of compliance was a result of not following best practice guidelines. Our new home study practice has better captured this information and suggested changes will be made to our documentation.
NH DCYF began using the SAFE home study process in January of 2016. This is a much more detailed evidence based home study process which does ask applicants to identify how long they have lived in their current residence and where else they have lived as part of the home study format (sections on Home and Community and Applicant History). New studies consistently capture this information in the document. Some of the foster files reviewed were long term foster homes licensed before the practice of obtaining child abuse and central registry checks from other states was implemented into practice. Going forward, revisions are being made to the application document to capture specific information on residency to ensure that attempts are made to check prior states of residency if the applicant has not resided in the State of New Hampshire for the past 7 years. When the request is refused by the other state, documentation of the refusal to release their state registry information will be maintained in the licensing file.

Anticipated Completion Date:

Changes to the application document will be completed by the end of this State fiscal year. As all forms are included in our Administrative Rules, this will necessitate opening He-C 6446, the rule governing foster care licensing to request the amendment.

Contact Person:

Kathleen M. Companion, DCYF Foster Care Manager
Kathleen.Companion@dhhs.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-022***
NH Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant

Grant Year and Award:
10/01/2012 – 09/30/2014 1301NHSOSR
10/01/2013 – 09/30/2015 1401NHSOSR

Finding: Noncompliance with earmarking requirements.

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)).

Condition:

During the State fiscal year ended June 30, 2016, we noted that the Department transferred $1,343,305 from TANF to the Social Services Block Grant program. The Division of Children Youth and Families (DCYF) uses the transfer TANF funds for payments to subrecipients that provide comprehensive family support services through bi-annual subaward agreements.

During our testwork over the earmarking requirement, we selected 5 of the 8 DCYF subrecipients and haphazardly selected 13 payments made to the DCYF subrecipients. Based on the results of the testwork, we noted that the documentation maintained by DCYF to support the selected 13 payments made to the 5 DCYF subrecipients, was not sufficient to support that the transferred TANF amounts were provided to subrecipients only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline.

Cause:

DCYF's policies and procedures do not appear to be properly designed to monitor its subrecipients to ensure funds are only provided for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline in accordance with the earmarking requirements.

Effect:

TANF Federal funding may be provided to ineligible children or families under the SSBG earmarking requirements.

Questioned Costs:

$126,155 based on the sample selected

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend management strengthen the subrecipient monitoring procedures to help ensure that the TANF transfer amounts provide programs and services to children or their families whose income is less than 200 percent of the official poverty guideline in accordance with the earmarking requirements.

Views of Responsible Officials:

The Department concurs. The program area is implementing additional processes/requirements where the subrecipient will be required to submit documentation of the eligible families being invoiced.

Anticipated Completion Date:

July 1, 2017

Contact Person:

Rebecca Lorden, DCYF Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-023***
NH Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant

Grant Year and Award:
10/01/2012 – 09/30/2014 1301NHSOSR
10/01/2013 – 09/30/2015 1401NHSOSR

Finding: Noncompliance with Federal reporting requirements.

Criteria:

Each state must submit an annual report by the outlined due dates. The state is required to use the Financial Reporting Form, Form SF-425, "Federal Financial Report". Each annual report must be submitted within 90 days following the end of each Federal Fiscal Year. An interim report covering Year 1 of the project period is due 90 days following the end of the Federal Fiscal Year 1 (45 CFR Section 96.74).

Condition:

As part of our reporting testwork over the Social Services Block Grant program, we selected all of the Federal Financial Reports (FFR), SF-425, submitted during the audit period and noted the following:

- The FFY 2013 Final Report was required to be submitted on December 31, 2014 but submitted on December 29, 2015 a year after the due date.
- The FFY 2014 report was approved as final and a Final Report was required to be submitted but an Annual Report was submitted, not a Final Report.

Cause:

The Department's policies and procedures to review the Federal reports did not include a review precise enough to detect errors with the report submission.

Effect:

The lack of strong policies and procedures relating to the preparation and submission of the Federal reports could result in erroneous reporting to the Federal government.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Repeat Finding:

No

Recommendation:

We recommend management strengthen the Federal reporting review procedures to help ensure that the Federal reports are submitted correctly.

Views of Responsible Officials:

The Department concurs that the federal reporting procedures should be strengthened. A checklist has been developed that will aid in ensuring that the correct reports are filed for the correct grant years.

Anticipated Completion Date:

April 1, 2017

Contact Person:

Mary Calise, Senior Finance Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-024***
NH Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant

Grant Year and Award:
10/01/2012 – 09/30/2014 1301NHSOSR
10/01/2013 – 09/30/2015 1401NHSOSR
10/01/2014 – 09/30/2016 1501NHSOSR

Finding: Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipients.

Criteria:
Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity (45 CFR 92.40).

Condition:

During the State fiscal year ended June 30, 2016, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements. While the Department was able to demonstrate that the various Divisions/Bureaus (Division of Children, Youth and Families (DCYF), Bureau of Elderly Adult Services (BEAS), and Bureau of Developmental Services (BDS)) responsible for the financial activities of the grant did perform the required financial monitoring, we noted that the Department has not implemented procedures to ensure that programmatic monitoring of the subrecipient activities is performed. The Department has implemented a process requiring subrecipients submit monthly invoices reporting the subrecipient activities and the annual single audit reports submissions to the Office of Improvement and Integrity (OII). Additionally, we noted that the Department contracts with subrecipients biennially and annually through an RFP process. However, this is where the monitoring ends.

As part of our subrecipient monitoring testwork over the Social Services Block Grant program, we reviewed the subrecipient listings maintained by the OII, DCYF, BEAS, and BDS and we selected a sample of 10 subrecipients and 25 payments made to subrecipients during the audit period and noted the following:

- Inconsistencies with the identification of the SFY 2015 subrecipients. We reviewed the SFY 2015 subrecipients because these subrecipients are required to submit their single audit reports to OII in SFY 2016. Based on our review of the SFY 2015 subrecipient listings provided, the OII identified 44 subrecipients while the responsible Divisions/Bureaus identified 40 subrecipients. Based on our review of the SFY 2015 payments to subrecipients, we identified 50 subrecipients. We also noted that 2 DCYF subrecipients and 1 BDS subrecipient were not identified by OII thus there is no tracking of the single audit submissions nor is there a review of the required reports.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

- Inconsistencies with the identification of the SFY 2016 subrecipients. These subrecipients received current year SSBG payments. Based on our review of the SFY 2016 subrecipient listings provided, the OII identified 32 subrecipients, while the responsible Divisions/Bureaus identified a total of 40 subrecipients. Based on our review of the SFY 2016 payments to subrecipients, we identified 44 subrecipients. We also noted that 2 DCYF
  subrecipients, 1 BEAS subrecipient and 4 BDS subrecipients were not identified by OII thus there is no tracking of the single audit submissions nor is there a review of the required reports.

- Of the 25 subrecipient payments relating to the 10 subrecipients selected, we noted that there was no evidence of program level approvals for 22 of the subrecipient payments nor was there evidence of a programmatic review to ensure that the underlying support of payments is in compliance with the Federal regulations. Additionally, the lack of the programmatic monitoring of the DCYF subrecipients resulted in a finding relating to the earmarking requirements.

Cause:

The State Department's policies and procedures to identify and monitor subrecipients did not include a review precise enough to identify subrecipients and detect non-compliance. Further, with the current policies and procedures in place the Department will have difficulty meeting the UG requirements in subsequent years.

Effect:

The possible effect is non-compliance with the subrecipient monitoring requirements.

Questioned Costs:

Not Determinable

Repeat Finding:

No

Recommendation:

We recommend management implement policies and procedures for better identifying subrecipients and strengthen its monitoring procedures so that they are precise enough to detect noncompliance and provide reasonable assurance that the subrecipient activities are in accordance with Federal regulations.

Views of Responsible Officials:

The Department concurs that subrecipient monitoring procedures need to be strengthened. The Department will, over the next several months, put procedures in place that will bring the Department current with the UG requirements in subsequent years.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Anticipated Completion Date:

September 30, 2017

Contact Person:

Mary Calise, Senior Finance Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-025***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness
CFDA #93.889 National Bioterrorism Hospital Emergency Preparedness

Grant Year and Award:
7/1/2015 – 6/30/2016 U90TP000535

Finding: The Department of Health and Human Services (DHHS or Department) should improve its internal controls over the Matching and Maintenance of Effort (MOE) requirement and comply with the MOE requirements.

Criteria:

The Notice of Awards for the Public Health Emergency Preparedness (PHEP) and National Bioterrorism Hospital Emergency Preparedness (HPP) grants include the following matching and maintenance of effort requirement:

Matching Funds Requirement: The required level of non-federal participation for HPP is $110,402 and for PHEP is $481,283. Matching is calculated on the basis of the federal award amount and is comprised of grantee contributions proposed to support anticipated costs of the project during a specific budget period (confirmation of the existence of funding is supplied by the grantee via their Federal Financial Report). The grantee must be able to account separately for stewardship of the federal funding and for any required matching; it is subject to monitoring, oversight, and audit.

Statutory formula for PHEP is included in Section 319C-1 of the Public Health Service (PHS) Act, as amended. For the year 03 budget period, matching funds are from non-Federal sources in an amount not less than 10 percent of such costs ($1 for each $10 of Federal funds provided in the award). Match can be provided directly by the state, in cash, or third party in-kind contributions. Match must be reported on the SF-425 Federal Financial Report (FFR), if applicable.

Maintenance of Effort (MOE) Requirement: MOE represents an applicant/grantee historical level of expenditures related to Federal programmatic activities which have been made prior to the receipt of Federal funds. MOE is used as an indicator of nonfederal support for public health security before the infusion of Federal funds. These expenditures are calculated by the grantee without reference to any Federal funding that also may have contributed to such programmatic activities in the past. Awardees must stipulate the total dollar amount in their grant applications. Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit. MOE may not include any Sub awardee matching funds requirement.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Condition:

During our testwork over the MOE calculation provided to us during the audit, we noted the State did not meet the maintenance of effort for the PHEP and HPP programs by $46,420 and does not separately account for the MOE. If MOE was separately accounted for, the MOE noncompliance would increase by the match requirement of $481,283. The State assesses the MOE requirement with the use of the same general funds that are used for the Match. As noted above from the grant award, "Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit."

Further, the Department has not instituted a formal control whereby the calculation for MOE is monitored throughout the year, not after year end when it is too late to meet the MOE requirement.

We also identified a weakness in the control over the matching compliance requirement as the review of the annual federal financial report used to ensure the match is met, was completed, but the report was incorrect and the error not identified during review. However, the matching requirement appears to have been met.

Cause:

The cause of the condition appears to be not monitoring of the MOE and Match during the year and improper application of grant award terms.

Effect:

Noncompliance with the maintenance of effort requirements included in the PHEP program notice of award.

Questioned Costs:

Not Determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department monitor the MOE requirement during the year, formalize the review control and adhere to the grant award terms requiring MOE and match be accounted for separately from any matching funds.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Views of Responsible Officials:

The department does not concur with the finding that the State of NH did not meet the MOE requirement during the year. During the review of the MOE analysis, an error in the prior year expenses reported was revealed. This error increased the funds included in the MOE calculation. The final MOE analysis shows the MOE to be met for the year reviewed during the audit.

Processes have been reviewed and work papers updated to include greater review of the FFR's before the reports are signed.

Anticipated Completion Date:

March 1, 2017

Contact Person:

Dolores A Cooper, DPHS Financial Manager

Rejoinder:

The MOE calculation provided to us during the audit, based in part on a prior year issued report only recently corrected, showed that the MOE was not met. In any case, the State assesses the MOE requirement with the use of the same general funds that are used for the Match, and therefore, MOE is not met. As noted above from the grant award, "Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit."

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-026***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness
CFDA #93.889 National Bioterrorism Hospital Emergency Preparedness

Grant Year and Award:
7/1/2015 – 6/30/2016 U90TP000535

Finding: Noncompliance with components of the subrecipient monitoring and cash management requirements.

1. ***No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not evaluated,***
2. ***Programmatic Monitoring of subrecipient activities needs improvement,***
3. ***Payments made to subrecipients did not contain the required information,***
4. ***The Department did not establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.***

Criteria:

A pass-through entity is required to evaluate each sub-recipient's risk of noncompliance for purposes of determining the appropriate sub-recipient monitoring related to the sub-award (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1) The sub-recipient's prior experience with the same or similar sub-awards;
2) The results of previous audits including whether or not the sub-recipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar sub-award has been audited as a major program;
3) Whether the sub-recipient has new personnel or new or substantially changed systems; and
4) The extent and results of Federal awarding agency monitoring (e.g., if the sub-recipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). The State is further required to:

- monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals, and;
- follow-up and ensure that subrecipients take timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient by the State that were detected through audits, on-site reviews and other means.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

The requirements for cash management are contained in 2 CFR 200.302(b)(6) and 200.305, 31 CFR part 205, 48 CFR sections 52.216-7(b) and 52.232-12, and include the requirement that the pass-through entity establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.

Condition:

The State of New Hampshire uses sub-recipients to perform programmatic portions of the Public Health Emergency Preparedness (PHEP), and National Bioterrorism Hospital Emergency Preparedness (HPP), programs. During our review, we noted there were no controls over evaluating the sub-recipient risk of non-compliance, and no evaluations were performed on the 3 subrecipients tested for the PHEP program and on the 2 subrecipients tested for the HPP program.

Further, Federal regulations require internal controls be established and maintained, and the activities of a subrecipient monitored as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals. However, the processes to monitor subrecipients could be improved and could better align with the policies recently put in place by the Department. Currently, the evidence of programmatic monitoring of the subrecipients for both programs included obtaining performance reports/questionnaires regarding program performance. However, there did not appear to be evidence of a formal control over the review of these reports or follow-up. Further the current procedures in place need to better reflect the subrecipient monitoring procedures established by the Department, including performing on site reviews.

Payments to the subrecipients did not include the required terms such as CFDA#, award name and federal awarding agency, DHHS, at the time payment is made.

Further, we did not find any evidence that procedures and controls exist to ensure that subrecipients spend the federal funds passed through to them timely.

Cause:

The Department needs to increase its awareness of and compliance with the subrecipient monitoring requirements and the cash management requirements related to subrecipients included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring and related Cash management federal regulations.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Repeat Finding:

No

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. The Department then needs to ensure controls are instituted to ensure any noncompliance with the regulations would be detected or prevented. Procedures implemented should include, ensuring a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor; improving during the award monitoring, including performing site visits, in accordance with the Department's procedures, making payments to subrecipients that include the required information, and establishing procedures to ensure the subrecipients timely spend federal funds passed-through to them.

Views of Responsible Officials:

#1 – #2 The Department will review current practices of Risk analysis and make changes necessary to meet the requirements of the Uniform Guidance.

#3 – Payments to sub recipients did not include federal grant detail. The Division has implemented updated payment coding instructions to meet this requirement.

#4 – The Divisions does not currently calculate the transfer of funds from the sub recipient. Current written procedures state payments are made based on actual paid invoices. The Department will review the process and procedures and implement changes where necessary.

Implementation Date:

By end of SFY 2018

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-027***
NH Department of Health and human Services

CFDA #93.758 Preventive Health and Health Services Block Grant

Grant Year and Award:
10/01/2014-09/30/2016 2B01T009037-15
10/01/2103-09/30/2015 2B01T009037-14

Finding: Noncompliance with components of subrecipient monitoring and cash management.

1. ***No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not evaluated,***
2. ***Financial and Programmatic Monitoring of subrecipient activities did not exist,***
3. ***Federal Clearinghouse was not checked to ensure subrecipient audits were filed within the required timeframe,***
4. ***Payments made to subrecipients did not contain the required information,***
5. ***The Department did not establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.***

Criteria:

A pass-through entity is required to evaluate each sub-recipient's risk of noncompliance for purposes of determining the appropriate sub-recipient monitoring related to the sub-award (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1. The sub-recipient's prior experience with the same or similar sub-awards;
2. The results of previous audits including whether or not the sub-recipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar sub-award has been audited as a major program;
3. Whether the sub-recipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the sub-recipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). The State is further required to:

- monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals, and;

- follow-up and ensure that subrecipients take timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient by the State that were detected through audits, on-site reviews and other means.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

The requirements for cash management are contained in 2 CFR 200.302(b)(6) and 200.305, 31 CFR part 205, 48 CFR sections 52.216-7(b) and 52.232-12, and include the requirement that the pass-through entity establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.

Condition:

The State of New Hampshire uses sub-recipients to perform programmatic portions of the Preventive Health Block Grant. During our review, we noted there were no controls over evaluating the sub-recipient risk of non-compliance, and of the 5 subrecipients tested, only one had a risk assessment completed.

Further, Federal regulations require internal controls be established and maintained, and the activities of a subrecipient monitored as necessary to ensure the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals. However, we noted for the 5 subrecipients tested, we noted no evidence of financial or programmatic monitoring during the award.

For 3 of the 5 subrecipients tested, there was no evidence that the Department ensured the subrecipient filed its single audit report with the federal clearinghouse within the required timeframe.

Payments to the subrecipients did not include the required terms such as cfda#, award name and federal awarding agency, DHHS, at the time payment is made.

Further, we did not find any evidence that procedures and controls exist to ensure that subrecipients spend the federal funds passed through to them timely.

Cause:

The Department needs to increase its awareness of and compliance with the subrecipient monitoring requirements and the cash management requirements related to subrecipients included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring and related Cash management federal regulations.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. The Department then needs to ensure controls are instituted to ensure any noncompliance with the regulations would be detected or prevented.

Procedures implemented should include, ensuring a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor; instituting during the award financial and programmatic monitoring, including performing site visits, in accordance with the Department's procedures, ensuring subrecipient single audit reports are reviewed and filed with the federal clearinghouse timely, making payments to subrecipients that include the required information, and establishing procedures to ensure the subrecipients timely spend federal funds passed-through to them.

Views of Responsible Officials:

#1 – #3 We do currently have some controls in place to do sub recipient monitoring. However, we do agree they could be improved. The Department will review current practices and make improvements where necessary to meet the requirements of the Uniform Guidance.

#4 – We have initiated updated payment instructions to include further information on the payments processed.

#5 – The Division does not currently calculate the transfer of funds from the sub recipient. Current written procedures state payments are made based on actual paid invoices. The Department will review the process and procedures and implement changes where necessary.

Anticipated Completion Date:

By end of SFY 2018

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-028***
NH Department of Health and Human Services

CFDA #93.758 Preventive Health and Health Services Block Grant

Grant Year and Award:
10/01/2103-09/30/2015 2B01T009037-14

Finding: The Department of Health and Human Services (DHHS or Department) should improve its internal controls over and comply with the Maintenance of Effort requirements.

Maintenance of Effort (MOE) Requirement: MOE represents an applicant/grantee historical level of expenditures related to Federal programmatic activities which have been made prior to the receipt of Federal funds. MOE is used as an indicator of nonfederal support for public health security before the infusion of Federal funds. These expenditures are calculated by the grantee without reference to any Federal funding that also may have contributed to such programmatic activities in the past. Awardees must stipulate the total dollar amount in their grant applications. Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit. MOE may not include any Sub awardee matching funds requirement.

Condition:

The Department has not instituted a formal control whereby the calculation for MOE is computed and monitored throughout the year, rather than after year end when it is too late to meet the MOE requirement. Further, because of a lack of formal control, it appears the Department did not meet its MOE requirement for the 2014 grant award ending September 30, 2015, by $82,080.

Cause:

The cause of the condition appears to be not monitoring of the MOE during the year.

Effect:

Lack of controls could result in noncompliance with the maintenance of effort requirements included in the Preventive health program notice of award.

Questioned Costs:

$82,080

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Repeat Finding:

No

Recommendation:

We recommend the Department monitor the MOE requirement during the year, and formalize the review control.

Views of Responsible Officials:

The department does concur in part with the finding. The MOE for the Preventive Health Block Grant is monitored regularly. However, the process will be formally documented. The inability to hire staff has resulted in the reduction of general fund spending used to meet the MOE for this grant period, not lack of controls.

Anticipated Completion Date:

Process review and documented by July 1, 2017

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-029***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2015 – 6/30/2016 U90TP000535

Finding: Controls need to be strengthen over authorization of costs. Overtime charged to the grant but not approved as required by the grant award.

Criteria:

Federal awards should be expended only for allowable activities. Laws and regulations and specific provisions in the grant award for each grant program contain specific requirements for activities allowed and unallowed.

Per 200 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many Authority responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

During our testwork over controls surrounding the allowability of costs, we noted one invoice out of a sample of 40, to not be approved by the program manager or other authorized employees. Further, this expenditure was processed by accounts payable without the proper approvals.

Overtime per the grant award is required to be approved. We reviewed monthly approvals for overtime; however, overtime that exceeded the amount approved was charged to the PHEP grant in the amount of $48,950.

Cause:

Internal controls are not designed and/or operating as intended

Effect:

Without effective internal controls, unallowable costs may be paid.

Questioned Costs:

Invoice not approved	$39,250
Overtime not approved	48,950
Total	$88,200

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department train its employees to ensure that the responsible individuals are aware of and diligently follow documented policies and procedures to ensure that only allowable costs get paid, is in place and operating effectively. Further, accounts payable should not pay an invoice, without the proper approvals.

Views of Responsible Officials:

The department concurs with the finding. The invoice in question was coded correctly by the programs contract manager; however, the invoice was not actually signed by the program contract manager. This was an oversight of the employee. Additional staff training around coding will emphasize the signing of invoices.

The FFR was revised to correct the error as soon as the auditor identified this error with the overtime charge to the PHEP grant. Financial oversight will be reviewed and controls will be set up to prevent these types of errors in the future.

Anticipated Completion Date:

As soon as possible, but before July 1, 2017

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-030***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2015 – 6/30/2016 U90TP000535

Finding: The Department of Health and Human Services (DHHS) should improve its internal controls over and comply with the earmarking requirements.

Criteria:

The Notice of Awards for the Public Health Emergency Preparedness (PHEP) grant includes the following earmarking requirement:

For the Cities Readiness Initiative (CRI): This award includes $283,425 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:

During our audit of the PHEP Program, we tested the above earmarking requirement to determine whether the DHHS had earmarked the required amount to CRI jurisdictions. We observed the CRI requirement was underfunded by $60,122.

A similar issue was noted in the prior year audit. DHHS disagreed with that finding, quoting Centers for Disease Control as stating "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 Funding Opportunity Announcement and the unexpended funds resulted in cost savings to the Federal government."

However, the federal government in response to our prior year finding has agreed that earmarking was not met.

Cause:

The Department does not believe the CRI requirement included in the grant award is an earmark.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Effect:

Noncompliance with the earmarking requirements included in the PHEP program notice of award.

Questioned Costs:

$60,122

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-010

Recommendation:

We recommend the Department work with the federal government and determine whether the requirement to spend a specified amount for CRI, is an earmark. If the requirement is an earmark, we recommend the PHEP program institute controls to ensure the required allotment to CRI jurisdictions is fulfilled.

Views of Responsible Officials:

The department does not concur with the finding. The prior two years findings have been appealed. CDC did respond initially in agreement with the first KPMG finding. However, the State of NH has appealed this decision and has requested reconsideration based on correspondence with CDC employees during the grant years with these findings. CDC has not made a decision on the appeal.

In response to the current year finding (2016) we offer the following response. The State of New Hampshire is not required to spend all of the awarded funds. The CDC notice of grant award reads; the state must "award 75% of the CRI award, to the CRI jurisdictions to support Medical Countermeasure Dispensing and the Medicaid Material Management and Distribution (MCMDD) capabilities". The grant year final report shows we have spent 79% of the CRI awarded, to the CRI jurisdictions for MCMDD. To further clarify, the CRI jurisdictions were awarded 86% of the total CRI award. Therefore, based on the CDC requirement the state "award 75%" of the award, we met the CRI requirement by awarding 86% to the CRI jurisdictions.

Anticipated Completion Date:

Not Applicable

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-031***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2015 – 6/30/2016 U90TP000535

Finding: The Department should improve its internal controls over and compliance with equipment inventory requirements.

Criteria:

45 CFR Part 92.32 (2) – US Department of Health and Human Services states "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

State's Long-Term Assets Policy and Procedures Manual states: "All agencies shall take a complete physical inventory of their long-term assets at the end of each fiscal year. Such inventory shall be reconciled annually with the records maintained by the agency. "

Further, the Notice of Awards for the PHEP grant includes the following equipment inventory reporting requirement. "An original and two copies of the complete inventory listing must be submitted for all major equipment acquired or furnished under this project with a unit acquisitions cost of $5,000 or more."

Condition:

The Department of Health and Human Services manages the Department's equipment centrally for all its divisions and bureaus. The Department has not taken a physical inventory for at least several years, which is not in compliance with Federal and State policy. The Department's Logistics Unit, responsible for equipment management, maintains the inventory records that are updated monthly. These reports are not reviewed nor reconciled to a physical inventory, and the equipment inventory report was not submitted to the Federal government, as required per the Grant award.

During our test of the completeness of the equipment inventory, we noted that four of the five federally funded equipment selections tested were not recorded in the Access database, which is used to maintain a record of inventory purchased with federal funds.

Cause:

It appears the Department's management made a decision to continue to report monthly inventory changes and update the equipment inventory list but not perform a physical inventory. Weaknesses in controls over maintaining the equipment inventory resulted in equipment not being recorded properly in the inventory.

Effect:

Noncompliance with the Equipment Management federal requirements and State policy.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-011

Recommendation:

We recommend that the PHEP program review its controls to ensure that an annual inventory count is completed in accordance with State policy or change the State policy to allow for more than annual inventories. Federal regulations allow for an inventory once every two years. We further recommend that controls be strengthened to ensure equipment purchased with federal funds be tracked, monitored and reported appropriately and in accordance with federal guidelines.

Views of Responsible Officials:

A meeting was held in May 2016 with DoIT, DHHS OIT, DHHS Finance, DAS Finance (FDM) and Facilities Maintenance Unit (FMU). The first thought was to utilize the existing Lawson Enterprise software, but during discussion it was found that the inventory module in Lawson was not configured in a way that would allow asset inventory to be done on that software. We then discussed other alternatives and came up with 2 options, 1. Purchase an asset inventory based software and 2. Utilize an asset based software that DOT was using. It was determined that we would be best served, because of budget and timing, by evaluating the software that DOT was presently using for use by the department and that DoIT and OIT would be looking into this further, reviewing what DOT has, looking at capabilities and ease of migrating information.

Anticipated Completion Date:

June 30, 2018

Contact Person:

David Clapp, NH Hospital, Director of Finance and Support Operations

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S Department of Health and Human Services ***2016-032***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness
CFDA #93.889 National Bioterrorism Hospital Emergency Preparedness

Grant Year and Award:
07/1/2015 – 06/30/2016 U90TP000535
10/01/2103-09/30/2015 2B01T009037-14

Finding: The Department should improve internal controls over and compliance with reporting of the SF-425 annual report.

Criteria:

Annual Federal financial Report (FFR, SF-425): The Annual Federal Financial Report (FFR) SF-425 is required and must be submitted through eRA Commons no later than 90 days after the end of the calendar quarter in which the budget period ends. Financial reporting requirements are contained in 2 CFR section 200.327.

Condition:

Based on our review of the required FFR (SF 425) report for the PHEP and HPP programs, we noted the amounts on lines: i,) total recipient share required, j), recipient share of expenditures and k), remaining recipient share to be provided, used to report match amounts, weren't updated from the prior year FFR (SF 425) filed, even though the report was authorized as being correct.

Also, through the audit of the MOE, it was determined for the PHEP program, line e - Federal share of expenditures and line h - unobligated balance of Federal funds should increase and decrease respectively by $49,883. An adjustment to Federal expenditures included $49,883 of State funded expenditures, thereby understating federal expenditures on the FFR, by this amount.

Cause:

The controls over the review and authorization of required reports are not at a precise enough level to identify an error.

Effect:

Noncompliance with the Federal reporting requirements.

Questioned Cost:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department ensure the review control when performed is precise enough to identify any reporting errors prior to the report being submitted to Federal government. We further recommend controls are established to ensure reports are filed within the required Federal timeframe.

Views of Responsible Officials:

The department concurs. An error was found in the calculation of the FFR total claim for the PHEP grant during the review of the MOE calculation. Once the error was caught by staff, the FFR was revised. Processes will be reviewed and further review criteria will be initiated to verify the reports.

Anticipated Completion Date:

Procedures will be updated and implemented completely by March 31, 2017

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***Finding 2016-033***
NH Department of Health and Human Services

CFDA #93.563 Child Support Enforcement
CFDA #93.575 Child Care and Development Block Grant
CFDA #93.596 Child Care Mandatory and Matching Funds
CFDA #93.658 Foster Care-Title IV-E

Grant Year and Award: Various

Finding: Allocated payroll costs not approved or fully supported.

Requirement:

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable (2 CFR 200.430(a)).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy; and, (v) Comply with the established accounting policies and practices of the non-Federal entity (2 CFR 200.430(i)).

Condition:

The State 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

As part of our testwork over the cost allocation plan, we selected a sample of 68 timesheets comprised of seven (7) classified and thirty-five (35) unclassified employees covering four (4) pay periods and noted the following:

- Three (3) timesheets for three (3) employees were approved by someone other than the authorized proxy or inherited proxy. The approver was someone not included in the hierarchy of management. These timesheets related to three (3) employees who have their time allocated to one of the major programs, Foster Care IV-E.

- Ten (10) timesheets, for the seven (7) unclassified employee sample were not supported with the approved, manual timesheets. Unclassified employees are required to submit monthly manual timesheets but the timesheets for the pay periods tested could not be located. These timesheets related to seven (7) employees who have their time allocated to three of the major programs, Foster Care IV-E, Child Support Enforcement, and the Child Care and Development Fund (CCDF) programs.

Cause:

The cause of the condition found is primarily due to the lack of adherence to the Department's administrative procedures.

Effect:

The potential effect of the condition found could result in the inaccurate and incomplete payroll costs charged to the Federal programs.

Questioned Costs:

$33,801

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-004

Recommendation:

We recommend that the Department review its existing administrative payroll system procedures to process payroll and implement controls and procedures to ensure that payroll costs are processed accurately and completely and the payroll costs are supported and approved.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Views of Responsible Officials:

DHHS will be setting up a spreadsheet for the Unclassified leave time sheets to be checked each month. If one is missing an email will be sent to the Employee to send it in.

Anticipated Completion Date:

April 1, 2017

Contact Person:

Betty Hughes, Payroll Supervisor

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***Finding 2016-034***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness
CFDA #93.268 Immunization
CFDA #93.758 Preventive Health and Health Services Block Grant
CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants, Children

Grant Year and Award: Various

Finding: Direct payroll costs not approved appropriately or fully supported.

Requirement:

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable (2 CFR 200.430(a)).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy; and, (v) Comply with the established accounting policies and practices of the non-Federal entity (2 CFR 200.430(i)

Condition:

The State Department of Health and Human Services (the Department) utilizes a federally approved cost allocation plan to allocate costs to its public assistance programs. Payroll costs are allocated to multiple programs or one program when employees work 100% of their time on one program. As part of our testwork over the direct payroll costs, we selected a sample of 185 timesheets, comprised of forty-two (42) employees among 5 pay periods and noted the following:

- Ten (10) timesheets in total (five (5) Immunization, four (4) PHEP, and one (1) Preventive Health) for seven (7) employees were approved by someone other than the authorized proxy or inherited proxy. The approver was someone either not an authorized proxy or not included in the hierarchy of management (inherited proxy).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

- For one (1) of the PHEP timesheets, the employee appeared to be under paid but the total payroll costs relating to the pay period was charged to the program. After further review, it appears the employee was overpaid in one of the previous pay periods and subsequently corrected. However, there was no documentation to support the overpayment or the correction.
- One (1) timesheet for one (1) employee was submitted and approved with hours not correctly reflected in the payroll register. The employee submitted 7.5 hours of holiday hours which was submitted and approved but the payroll register reported these hours as regular hours. This timesheet related to one (1) employee who has their time charged to one of the major programs, Women, Infants, and Children (WIC) program.

Cause:

The cause of the condition found is primarily due to the lack of adherence to the Department's administrative procedures.

Effect:

The potential effect of the conditions found could result in the inaccurate and incomplete payroll costs charged to the Federal programs.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend that the Department review its existing administrative payroll system procedures to process payroll and implement procedures to ensure that payroll costs are processed accurately and completely and the payroll costs are supported and approved.

Views of Responsible Officials:

The Department concurs. Currently payroll processing is undergoing a LEAN review.

Timecards approved by someone other than the Direct Supervisor or Proxy are to be followed up by an email from the Direct Supervisor that the hours worked are accurate.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Anticipated Completion Date:

Lean process is anticipated to be complete September 30, 2017.
The process to get back documentation for approved timecards is currently in place.

Contact Person:

Betty Hughes, Payroll Supervisor

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Homeland Security ***2016-035***
N.H. Department of Safety Homeland Security & Emergency Management

CFDA # 97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/11 -6/17	***DR4026 PA***
3/13-3/17	***DR4105 PA***
8/13-8/17	***DR4139 PA***
3/15-3/19	***DR4209 PA***

Finding: The Department should improve their internal controls over and compliance with the cash management requirements of the public assistance 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. Per the resulting Treasury State Agreement (TSA), the specific funding techniques prescribed require administrative program costs to be drawn bi-monthly, as from the TSA below:

- 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
- Recipient: Department of Safety
- % of Funds Agency Receives: 3.00
- Component: Administrative
- Technique: Actual Draw - Bi-Monthly
- Average Day of Clearance: N/A

Condition:

The Homeland Security and Emergency Management (HSEM) did not perform federal drawdowns for the Disaster Assistance program according to the requirements prescribed in the TSA. During our testing it was noted that the drawdowns happened on a monthly basis with occasional multiple draws per month.

Cause:

The Department misunderstood the TSA agreement as stating that the Draws should be performed “At Least” bi-monthly.

Effect:

The Department was not in compliance with the cash management requirements of the Disaster Assistance program.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-015

Recommendation:

The HSEM should communicate with the Department of Treasury on the cash management compliance requirement to allow both monthly and more frequent drawdowns.

Views of Responsible Officials:

HSEM will work with the Department of Administrative Services (DAS) and the Treasury to verify current practices align with those prescribed in both the current TSA and the TSA being submitted for the upcoming fiscal year. In instances where current practice differs from the prescribed methods, appropriate actions will be taken to amend the TSA(s) and/or realign current practices as needed to achieve compliance.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Matthew Hotchkiss, Administrator II, HSEM

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Homeland Security ***2016-036***
N.H. Department of Safety Homeland Security & Emergency Management

CFDA # 97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/11 -6/17	***DR4026 PA***
3/13-3/17	***DR4105 PA***
8/13-8/17	***DR4139 PA***
3/15-3/19	***DR4209 PA***

Finding: The Department should improve their internal controls over and compliance with Federal subrecipient monitoring requirements.

Criteria:

2 CFR 200 Subpart D – Post Federal Award Requirements, Subrecipient Monitoring and Management, requires a formal risk assessment for all subrecipients to support the level of monitoring required. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

§200.331 requires pass-through entities to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward, as specified below:

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). Included in this CFR are requirements to include award information at the time of disbursement of funds to the subrecipient.

Condition:

The Homeland Security and Emergency Management (HSEM) did not evaluate and document each subrecipient's risk of noncompliance during the fiscal year. We also noted the final performance and expenditure reports reviewed by HSEM as part of during the award monitoring for a subrecipient was not signed as reviewed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

We could not conclude that management review of the reports had occurred. Further, payments to the subrecipients did not include all of the required terms such as CFDA#, and award name at the time payment is made.

Cause:

Weaknesses in internal controls over the monitoring of subrecipients and unfamiliarity with new compliance requirements under the Uniform Guidance.

Effect:

The Department was not in compliance with the Federal requirements of evaluating risk of the subrecipients for the Disaster Assistance program. Further weaknesses in internal controls can lead to noncompliance with programmatic requirements.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-016

Recommendation:

The HSEM should strengthen controls over the review and approval of the subrecipients final performance and expenditure reports, include the required cfda information at the time of disbursement and establish procedures to evaluate the risk of subrecipients' noncompliance with the requirements of 2 CFR 200.

Views of Responsible Officials:

HSEM conducts risk assessment for all subrecipients to determine the level of subrecipient monitoring required, however, these assessments were not consistently documented during the audit period. In April 2016 HSEM adopted a Subrecipient Monitoring Policy requiring a risk assessment for each Subrecipient be completed and formally documented on a Subrecipient Risk Assessment form. Factors identified for consideration include audit findings, change in subrecipient staffing, prior experience, grant award amount, and program complexity.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

HSEM will update its award letter templates to include the award name and CFDA# to ensure that the recipient is aware of the specific source of the funds being received.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Fallon Reed, Administrator I, HSEM

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Homeland Security ***2016-037***
N.H. Department of Safety Homeland Security & Emergency Management

CFDA # 97.036 Disaster Grants – Public Assistance

Grant Year and Award:
9/11 -6/17 DR4026 PA
3/13-3/17 DR4105 PA
8/13-8/17 DR4139 PA
3/15-3/19 DR4209 PA

Finding: The Department should make a timely and accurate accounting to FEMA of eligible costs of large projects.

Criteria:

For large projects, the State is required to make an accounting to FEMA of eligible costs. Similarly, the subgrantee must make an accounting to the State. In submitting the accounting, the entity is required to certify that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions. For improved and alternate projects, if the total cost of the projects does not equal or exceed the approved eligible costs, then the auditor should expect to see an adjustment to reduce eligible costs (44 CFR section 206.205).

Condition:

The Public Assistance Program does not timely and appropriately update FEMA with the eligible costs and cumulative cash drawdowns of the large projects, nor does it certify the above requirements.

Cause:

HSEM relies heavily on FEMA for the allowability of the work performed and the expenditures incurred. Furthermore, there has been a change of personnel during this fiscal year and the project accounting worksheet was not complete.

Effect:

The Department was not in compliance with the requirements of the Special Tests and Provisions.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Repeat Finding:

Yes, 2015-017

Recommendation:

The HSEM should keep appropriate records of the eligible expenditures and cash draws and reconcile with FEMA.

Views of Responsible Officials:

HSEM tracks all Public Assistance Large Project grants including the original grant award and cumulative allowable costs that were submitted by subrecipients for reimbursement. HSEM reviews all support for reimbursement submitted by subrecipients to ensure that costs were incurred for eligible work associated with the original project award.

On a quarterly basis, HSEM submits a Quarterly Progress Report for FEMA Public Assistance Programs detailing eligible expenditures, federal obligations, expenditures to date and federal cash draws to date. Submission of this report to FEMA certifies that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions.

During FY16 the Qtly report was submitted timely for 3 of 4 quarters. HSEM has added this reporting requirement to its calendar with reminders scheduled three weeks prior to the due date to ensure that future reporting deadlines are met.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Fallon Reed, Administrator I, HSEM PA Grants Coordinator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Department of the Interior ***2016-038***
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:

10/1/2012 - 9/30/2017	*F13AF00169*
7/1/2015 - 6/30/2016	*F15AF00760*
7/1/2015 - 6/30/2016	*F15AF00777*
7/1/2015 - 6/30/2016	*F15AF00776*
1/1/2015 - 12/31/2015	*F15AF00113*
1/1/2016 - 12/31/2016	*F16AF00163*
2/21/2013 - 6/30/2016	*F13AF00340*
12/1/2015 - 6/30/2018	*F16AF00092*
4/1/2015 - 6/30/2016	*F15AF00275*
5/1/2015 - 6/30/2016	*F15AF00435*
7/1/2015 - 6/30/2016	*F15AF00919*
7/1/2015 - 6/30/2016	*F15AF00707*
7/1/2015 - 6/30/2016	*F15AF00924*
7/1/2015 - 6/30/2016	*F15AF00922*
7/1/2015 - 6/30/2016	*F15AF00759*
7/1/2014 - 6/30/2016	*F14AF00890*
7/1/2011 - 6/30/2016	*F11AF00517*
8/15/2013 - 12/31/2018	*F13AF01123*
8/1/2014 - 12/31/2015	*F14AF01189*
3/15/2014 - 12/31/2015	*F14AF00331*
9/1/2014 - 8/31/2019	*F14AF01270*
7/1/2015 - 6/30/2016	*F15AF00902*
7/1/2014 - 9/30/2015	*F14AF01048*
7/1/2015 - 6/30/2017	*F15AF00921*
7/1/2015 – 6/30/2016	*F15AF00819*
7/1/2015 - 6/30/2016	*F15AF00923*
9/1/2010 - 8/31/2015	*F11AF00850*
1/1/2016 - 12/31/2017	*F16AF00115*

Finding: Internal controls and compliance over the subrecipient monitoring requirements should be improved.

Criteria:

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, 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.

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The OMB Uniform Guidance Compliance Supplement states that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, risk assessment, 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."

Per 2 CFR 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring.

Condition:

The Fish and Game Department (the Department) does not have formal 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 or practice in place regarding conducting subrecipient risk assessment prior to entering into a subrecipient agreement.
- The Department does not have formal policy or practice in place to determine whether invoices submitted to the Department for reimbursement have been paid by the subrecipient or to ensure that subrecipients minimize the time elapsing between transfer of Federal Funds and the disbursement of such funds for program purposes by the subrecipient.
- The Department did not maintain a Uniform Guidance single audit report of the one subrecipient, and as a result, does not have documentation of any necessary 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, such as a checklist or spreadsheet validating that all requirements were reviewed and met.
- Current configuration of Microsoft Access database used for tracking contracts makes tracking and tallying subrecipient awards challenging, as subrecipients are not separately identified.

Cause:

The Department lacks effective formal monitoring controls and documentation over the subrecipient monitoring requirement for the Fish and Wildlife Cluster.

Effect:

The Department's lack of effective monitoring controls over the subrecipient activities of the Fish & Wildlife Cluster fostered an environment wherein effectively designed internal controls were not in place and operating as intended. The Department did not effectively formalize the internal controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster which resulted in noncompliance with the subrecipient monitoring requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-018

Recommendation:

The Department should institute formal effective monitoring controls over the subrecipient monitoring requirements of the Fish & Wildlife Cluster, such as improved tracking of subrecipient contracts, status of associated monitoring elements, and a formal risk assessment. Also a formal review and follow up of annual subrecipient single audit reports and applicable findings, should be performed and maintained on file in order to ensure compliance with Federal regulations. All documentation regarding these requirements should be maintained on file. We further recommend that the Department formally document these procedures in a grant policies and procedures manual.

Views of Responsible Officials:

We concur with the finding. The Department does perform elements of sub-recipient monitoring and maintains close project involvement throughout the performance of sub-awards to ensure program objectives are met, and requires periodic cost reports/invoices as well as performance reports. We have worked to better document monitoring, but agree that overall monitoring controls and documentation must be improved to fully comply with 2 CFR 200. We will finalize improved processes to include a formal risk assessment of subrecipients, better tracking of contracts and monitoring elements, and review and follow up as needed of subrecipient annual audit reports. In addition, we will formalize these procedures by finishing a grants policy and procedures manual.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Randy Curtis, Federal Aid Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Department of the Interior ***Finding 2016-039***
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:

10/1/2012 - 9/30/2017	*F13AF00169*
7/1/2015 - 6/30/2016	*F15AF00760*
7/1/2015 - 6/30/2016	*F15AF00777*
7/1/2015 - 6/30/2016	*F15AF00776*
1/1/2015 - 12/31/2015	*F15AF00113*
1/1/2016 - 12/31/2016	*F16AF00163*
2/21/2013 - 6/30/2016	*F13AF00340*
12/1/2015 - 6/30/2018	*F16AF00092*
4/1/2015 - 6/30/2016	*F15AF00275*
5/1/2015 - 6/30/2016	*F15AF00435*
7/1/2015 - 6/30/2016	*F15AF00919*
7/1/2015 - 6/30/2016	*F15AF00707*
7/1/2015 - 6/30/2016	*F15AF00924*
7/1/2015 - 6/30/2016	*F15AF00922*
7/1/2015 - 6/30/2016	*F15AF00759*
7/1/2014 - 6/30/2016	*F14AF00890*
7/1/2011 - 6/30/2016	*F11AF00517*
8/15/2013 - 12/31/2018	*F13AF01123*
8/1/2014 - 12/31/2015	*F14AF01189*
3/15/2014 - 12/31/2015	*F14AF00331*
9/1/2014 - 8/31/2019	*F14AF01270*
7/1/2015 - 6/30/2016	*F15AF00902*
7/1/2014 - 9/30/2015	*F14AF01048*
7/1/2015 - 6/30/2017	*F15AF00921*
7/1/2015 – 6/30/2016	*F15AF00819*
7/1/2015 - 6/30/2016	*F15AF00923*
9/1/2010 - 8/31/2015	*F11AF00850*
1/1/2016 - 12/31/2017	*F16AF00115*

Finding: Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting

Criteria:

As described in 2 CFR section 200.510, auditees must prepare the Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements, which must include the total Federal awards expended as determined in accordance with section 200.502, which states that the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Condition:

The Department has not utilized the features of the State's accounting system intended for proper grants management and has instead chosen to utilize QuickBooks. 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.

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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-020

Recommendation:

We recommend that the Department implement the New Hampshire First grants module, part of the State's accounting system of record.

Views of Responsible Officials:

We concur with the finding. First it should be clarified, when the Department chose to use the QuickBooks accounting software, over 15 years ago, the NHFIRST system was not in place and the grants module of the NHFIRST system has only recently been implemented. That being said, the Department does recognize that we must take the appropriate steps necessary to implement the grants module of NHFIRST. This will alleviate

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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several issues; it will provide us the ability to reconcile SEFA expenditures with NHFIRST, hopefully eliminating future findings, and also eliminate some of the manual manipulation required of the QuickBooks system. It is our understanding there are other agencies now utilizing the NHFIRST grants module. We will contact the Federal Grants and Cost Allocation Administrator at the Department of Administrative Services to obtain information regarding the use of NHFIRST at other state agencies and request meetings to view how the other agencies are utilizing the NHFIRST system for grant accounting. We would then meet in house to determine how we could incorporate our needs for grant reporting and the changes necessary to modify our current processes. It is important to note that we as an agency do wish to move ahead with this endeavor but we must be able to satisfy not only our grant reporting needs but also the needs of the very limited available resources we have to accomplish this task.

Anticipated Completion Date:

We will contact DAS and meet with other agency staff by June 30, 2017.

Contact Person:

Kathy LaBonte, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Department of the Interior ***Finding 2016-040***
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:

10/1/2012 - 9/30/2017	*F13AF00169*
7/1/2015 - 6/30/2016	*F15AF00760*
7/1/2015 - 6/30/2016	*F15AF00777*
7/1/2015 - 6/30/2016	*F15AF00776*
1/1/2015 - 12/31/2015	*F15AF00113*
1/1/2016 - 12/31/2016	*F16AF00163*
2/21/2013 - 6/30/2016	*F13AF00340*
12/1/2015 - 6/30/2018	*F16AF00092*
4/1/2015 - 6/30/2016	*F15AF00275*
5/1/2015 - 6/30/2016	*F15AF00435*
7/1/2015 - 6/30/2016	*F15AF00919*
7/1/2015 - 6/30/2016	*F15AF00707*
7/1/2015 - 6/30/2016	*F15AF00924*
7/1/2015 - 6/30/2016	*F15AF00922*
7/1/2015 - 6/30/2016	*F15AF00759*
7/1/2014 - 6/30/2016	*F14AF00890*
7/1/2011 - 6/30/2016	*F11AF00517*
8/15/2013 - 12/31/2018	*F13AF01123*
8/1/2014 - 12/31/2015	*F14AF01189*
3/15/2014 - 12/31/2015	*F14AF00331*
9/1/2014 - 8/31/2019	*F14AF01270*
7/1/2015 - 6/30/2016	*F15AF00902*
7/1/2014 - 9/30/2015	*F14AF01048*
7/1/2015 - 6/30/2017	*F15AF00921*
7/1/2015 – 6/30/2016	*F15AF00819*
7/1/2015 - 6/30/2016	*F15AF00923*
9/1/2010 - 8/31/2015	*F11AF00850*
1/1/2016 - 12/31/2017	*F16AF00115*

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 there were inventory count sheets that were not completed. Additionally, it was noted that the Fish and Game (F&G) Department does not have a tracking mechanism that easily and accurately allows for reporting of locations that has not fully completed and/or returned their inventory count sheets. For two selections out of ten, the item was not counted along with the other items at the related location. For another test, it was observed for four selections out of fourteen, the item was not in the location specified in the inventory database, but instead loaned to a different location. No location specific tracking sheets were maintained on file to account for these equipment loans outside of the database.

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.

We also noted that the condition of equipment listed in the database did not always reflect the observed condition. For one selection out of fourteen, the condition in the equipment database had not been updated from "new", and for two out of fourteen, there was no condition listed in the database. We also noted that for two selections out of fourteen, there was no maintenance of the barcode on the inventory items. These items have had their barcode wear off, and there was no secondary unique identifier.

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. The Department is not in compliance with the requirement to insure that equipment has maintained a barcode or primary identifier that is affixed to the equipment.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Repeat Finding:

Yes, 2015-021

Recommendation:

We recommend that the Department institute effective controls over equipment management, such as improved tracking of equipment management requirements and loaned equipment, maintaining an inventory count by division, and resolving inventory discrepancies identified, if any, in order to ensure compliance. Additionally, we recommend that the Department take steps to ensure that all equipment is adequately safeguarded and maintained, allowing for the proper maintenance of primary identifiers maintaining affixed to the equipment.

Views of Responsible Officials:

We concur with the finding. While there were inventory count sheets not completed, this was specific to one division and will be addressed by the Chief of the Business Division to the Chief of the division this is applicable to. It should not happen again. As we had explained during the audit test work, oftentimes equipment is loaned to other divisions apart from the division it is assigned to. During the test work, four pieces of equipment had been loaned to other divisions and were therefore not in the place assigned in our equipment inventory database. This often occurs within the department if we can use equipment that is available.

There is no realistic way to conduct our department inventory count of $11,000,000 in one day. We have however implemented a 'floor to sheet" procedure using an access database printout of our inventory. Each division is provided their respective list and for any items not listed but discovered during the taking of inventory, they are to be put on their list.

We are currently in the process of updating the condition of inventory within our inventory system. Beginning with the current year's inventory (2017), a column has been added to our inventory sheets allowing the current condition of the item to be noted. The condition of the item will be updated, if needed, when inputting current year inventory data.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Kathy LaBonte, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Labor ***2016-041***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2013	***UI-23906-13-55-A-33***
2014	***UI-25219-14-55-A-33***
2014	***UI-26409-14-60-A-33***
2014	***UI-26369-14-60-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27124-15-55-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-28146-16-60-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-27874-16-55-A-33***

Finding: Controls over Federal reporting procedures need 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), UI Regular (ETA U13), and Overpayment Detection and Recovery Activities reports (ETA 227).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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For two out of 11 reports tested, we noted supporting documentation provided did not 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 obtain reasonable assurance reports were accurate and complete. The report type containing errors is described below.

- 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 compiled by queries provided by their consultant using the NHUIS system and it is known, by the Department and US DOL that the reporting function for the ETA 227 report has not functioned 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 2016.

Cause:

Unreliable data is generated from the NHUIS system for the ETA 227 reports, and there is not an effective review process for all sections contained in the report.

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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-025

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 are properly reviewed and approved prior to transmission to the US DOL.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Views of Responsible Officials:

New Hampshire does continue to work diligently to correct reporting inconsistencies and secured special SBR funding for a dedicated reports and data validation project. This project is finally underway. It was delayed until the Claims Rewrite project was completed. The new claim applications and process went into production in August 2016 and resources continued to be devoted to monitoring it and addressing minor bugs through October 2016. Meetings are ongoing with stakeholders and subject matter experts and the design of the new functions for weekly detailed reports and on-demand snapshot detailed reports has been agreed upon. These reports are a giant step to being able to address issues in a timely manner. Many improvements have already been realized in the Populations for the ETA 227 based on continued review, implementation of case management systems for Benefit Payment Control (InvestiCase) and Collections (CollectiCase), several technological adjustments to the reporting, and the correction of human errors being made that all impacted the outcome of the ETA 227 and DV.

Population 12 OP by Cause: 2013 failed 100% of random samples and failed 7 of 8 categories in report validation area. 2016 failed 26.67% of random samples and passed all 8 categories in report validation area. An improvement of 73.33% and 100% respectively.

Population 13 OP Reconciliation: 2014 failed 60% of random samples (an improvement over 100% failure in 2012 and 2013) and failed all 5 categories in report validation area. 2016 failed 4% of random samples and passed 2 of 5 categories in report validation area. An improvement of 96% and 40% respectively.

Population 14 Age of OP: 2013 failed 100% of random samples and failed all 4 categories in report validation area. 2016 passed random samples with 0% errors and passed 1 of 4 categories in report validation area. An improvement of 100% and 25% respectively.

Population 15 OP by Method: 2013 failed 100% of random samples and failed 2 of 3 categories in report validation area. 2016 failed 36.67% of random samples and passed all 3 categories in report validation area. An improvement of 63.33% and 100% respectively.

This project is expected to address the remaining deficiencies in Populations 12 through 15, those that validate that overpayment reporting is correct.

Anticipated Completion Date:

December 31, 2017

Contact Persons:

Dianne Carpenter, Unemployment Compensation Bureau Director
Colleen O'Neill, Assistant to the Commissioner

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Labor ***2016-042***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2013	***UI-23906-13-55-A-33***
2014	***UI-25219-14-55-A-33***
2014	***UI-26409-14-60-A-33***
2014	***UI-26369-14-60-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27124-15-55-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-28146-16-60-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-27874-16-55-A-33***

Finding: Controls over claimants being registered for work in the "Job Match System," need to be strengthened to ensure compliance with State eligibility requirements.

Criteria:

Federal law (20 CFR 604.5 (h) Work search), provides that States may require an individual to be actively seeking work to be considered available for work, or States may impose a separate requirement that the individual must actively seek work to be eligible for unemployment insurance benefits.

New Hampshire RSA 282-A:31 Benefit Eligibility Conditions. I, states: "An unemployed individual shall be eligible to receive benefits with respect to any week only if the commissioner finds that: …(f) He or she has participated in reemployment services when so directed by the commissioner unless he or she has completed such services or has good cause for failure to participate in such services." According to New Hampshire Employment Security Department personnel the participation in reemployment services include the proper registration by the claimant in the New Hampshire Job Match System, including having an update resume on file.

Further, the New Hampshire Employment Security Department's Administrative Rule EMP 501.01(c) states:

" Beginning with the third week of continued unemployment from the initial claim effective date, an individual shall be considered to have an active work registration if the individual:

(1) Resides in New Hampshire or resides outside of New Hampshire but within 25 miles of a New Hampshire employment security office and is registered on the New Hampshire department of employment security job match system; or
(2) Resides both outside of New Hampshire and outside of 25 miles of a New Hampshire employment security office and is registered for work at an office designated for the purpose of work registration, with the approval of the state where the individual resides**."**

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Each claimant that receives unemployment compensation benefits from NHES is required to search for work in the week in which they are filing for benefits as well as be registered in the New Hampshire Job Match System with an updated resume.

Condition:

During our audit of the Unemployment Insurance Program, we tested 40 claimants to ensure they met the Eligibility conditions to receive unemployment compensation benefits. We noted there were nine (9) claimants whose resume were not up to date in the Job Match System, either having expired or not having been provided in the Job Match System, and four claimants whose Job Match Registration had not been completed at the time of receiving benefits during Fiscal Year 2016.

Cause:

The Department lacks effective procedures to detect when claimants have not completed their proper registration, or when a claimant's registration has expired, in the Job Match System while receiving unemployment compensation benefits.

Effect:

The Department is not ensuring claimants' compliance with participating in reemployment services, including proper registration in the State of New Hampshire's Job Match System, and as a result jobs for claimants may not be found in a timely manner.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should institute effective monitoring to ensure proper claimant registrations in the New Hampshire Job Match System during period of claimant unemployment, including having an updated resume on file.

Views of Responsible Officials:

The Department is aware that all information needed to create a resume is not transferring from the NHUIS system to the job match system and have been working to correct it. We have been working with the vendors to identify the reason and fix the interface. The job match system vendor has released an updated version and New

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Hampshire will be converting soon. No corrections to the interface can be completed until the new version is installed. Conversion is pending the purchase and installation of servers to support the upgrade. In the meantime, we receive a daily report of those registrations that do not transfer over and staff works with the claimants to register and create a resume.

Verifying that each claimant has an active registration and resume in the job match system is a manual process. Based on current staffing, manually checking 4000 claimant registrations weekly is not feasible.

Claimants are selected for the Reemployment Services and Eligibility Assessment (RESEA) Program weekly. The grant allows the department to select from a pool of all claimants that are required to search for work. Selections are made based on staffing and their current caseloads. These claimants receive intensive services including a review of their job match system registration and resume. Claimants not selected for RESEA are not seen 1-on-1 unless they are referred for services or request services. Otherwise, they are self-service customers. Once claimants complete the required visits for RESEA they are also considered self-service claimants unless they request assistance which will be provided based on staff availability.

Claimants are told in the Benefits Rights Interview group workshop that they must have an active registration and resume. It is also discussed at the first Eligibility Review group workshop. However, we are unable to stop payment of benefits until they have received a written warning that if they are not registered, their benefits could be in jeopardy.

The Department will work to improve the number of registrations and resumes reviewed on a regular basis. Additional federal funds were received to improve the interface and information being transferred from NHUIS to the job match system. We will continue to work with the vendors to ensure that the interface is working properly. We will look at ad hoc reporting in the job match system to identify those claimants whose resumes and registrations are expiring and identify a way with current staffing to contact those claimants. Upon conversion to the latest version of the job match system, we will determine how to identify and notify claimants to update their resumes and registrations.

Anticipated Completion Date:

September 30, 2017

Contact Person:

Pamela Szacik, Director, Employment Service Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Labor ***2016-043***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2013	***UI-23906-13-55-A-33***
2014	***UI-25219-14-55-A-33***
2014	***UI-26409-14-60-A-33***
2014	***UI-26369-14-60-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27124-15-55-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-28146-16-60-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-27874-16-55-A-33***

Finding: Formal procedures over recalculation of employer experience rates should be established.

Criteria:

The New Hampshire Department of Employment Security (NHES) is required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. This includes internal controls designed to ensure that employers are charged proper experience (tax) rates and that benefits charged are proper in amount.

Condition:

The New Hampshire Department of Employment Security (Department) is responsible for maintaining accounts or subsidiary ledgers on State UI taxes received or due from individual employers. The tax rate calculation is a highly automated process and is manually verified for a sample of employers by the Contributions Supervisor.

The Contributions Supervisor selects approximately 80 employers and recalculates experience rates in order to gain comfort that the rates are accurate and the calculation is functioning as intended. The recalculation is performed for most, but not all of the employers selected. Once comfort has been gained that the system is functioning as intended and properly calculating the experience rates, the recalculation is not performed for any remaining employers. The Department lacks sufficient written procedures to document the review process, including specification of how many employer experience rates must be recalculated in order to gain sufficient comfort that the system is properly calculating employer experience rates.

In a sample of 25 experience rating recalculations, three instances were noted with no manual recalculation.

Cause:

The lack of formal review procedures necessary to ensure that employer experience rates are proper.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Effect:

The Department does not have sufficient review procedures surrounding the recalculation of employer experience rates, resulting in an increased likelihood that an incorrect rate is charged.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should establish formal written procedures over the recalculation of employer experience rates to ensure that correct rates are charged.

Views of Responsible Officials:

A formal Policy Memo was issued on March 3, 2017 documenting the process in place, which is in addition to the USDOL mandated TPS review of the same data. The annual TPS review includes validation of the accuracy of the experience rating and all 60 cases pulled in the last review passed. Per the reviewer, "This review established a reasonable assurance of quality regarding the determination of employer tax rates. The Merit Rating and Employer Tax Accounting units have maintained well-documented charges and taxable wage data. The rates were accurately calculated, correctly posted, and employers were notified timely. The Acceptance Sample confirmed that the automated annual rate process accurately compiles taxable wages and benefit charges for use in computing accurate annual tax rates."

Anticipated Completion Date:

March 3, 2017

Contact Person:

Dianne Carpenter, Unemployment Compensation Bureau Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Education ***2016-044***
NH Department of Education

CFDA # 84.126 Vocational Rehabilitation

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042
10/1/2014-9/30/2015 H126A150042

Finding: Special test completion guidelines were not followed.

Criteria:

The State Vocational Rehabilitation (VR) Agency has a special provision as it pertains to the completion of Individual Plans for Employment (IPE). When an IPE is required for the provision of VR services under Section 103(a) of the Act, it must be done as soon as possible, but not later than 90 days after the date of the determination of eligibility by the State VR agency, unless the State VR agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed (Section 102(b)(3)(F) of the Act (29 USC 722(b)(3)(F))).

Condition:

IPEs for three of the 40 selections tested were not completed within the 90 day period after eligibility was determined. All three selections had extensions granted to extend the period of time an IPE needs to be completed by; however, the forms to extend this date were only signed by the counselor and not the individual being provided VR services.

Cause:

An extension agreement was not signed by both parties, as is required, due to an apparent oversight during the IPE completion process for the three selections tested.

Effect:

The State is not in compliance with the guideline which require an extension agreement in the event that a client is unable to complete an IPE for greater than 90 days, and completion of the IPE may not exceed the 90 day required timeframe without the individual being aware of or agreeing to such extension.

Questioned Costs*:*

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Repeat Finding:

No

Recommendation:

We recommend that the VR program administrators establish controls and procedures to better monitor a customer's IPE completion status. This oversight should aim to more frequently identify and correct these instances of non-compliance and identify a customer's IPE completion period is coming close to reaching 90 days. If an extension is sought, both the counselor and the individual provided VR services should be required to sign the request.

Views of Responsible Officials:

The Agency has implemented a new case management system (as of 7/2015) that provides staff with an activity reminder as cases approach the federal timeline for development of an individualized plan for employment (IPE). Over the past year and a half since implementation there have been a number of trainings for staff on how to effectively utilize the system in the management of cases, including the need to routinely review and act on system reminders. In addition a weekly report is generated by the administrative office that is disseminated to each regional office supervisor that identifies cases that are approaching the time standard. The regional office supervisor then works with the counselor of the case on the list to assure that a plan in developed or an extension is created. If there is outstanding information needed to develop a plan – for example the customer is still involved in career exploration activities to identify the services that need to be included on the plan- the counselor contacts the customer to discuss next steps, including the provision of an extension. If the customer agrees to the extension the form is completed and signed by the counselor and the customer if they are meeting at that time. If the conversation and agreement happens by phone or email, the form is generated and sent to the customer for signature, a copy is retained in the file. Unfortunately, customers do not always sign and return these forms and it is not always feasible for a customer to travel to an office simply to sign a form and requesting that they do so may impact them negatively in terms of time and travel costs.

The Agency will continue to institute case management controls and procedures to monitor customer IPE completion status. This includes system reminders of impending time frames and the generation of weekly reporting of cases approaching the timeline to the regional supervisory staff. Additional training will be provided to staff on the use of the system reminders. Regional office supervisors will be asked to periodically review cases in extension to determine if documentation exists that the customer was involved in the extension decision. Counselors will be encouraged to include the extension conversation during in person meetings with the customer. In those cases where the conversation regarding the extension is not done in person, counselors will be required to attach a cover letter to the extension that verifies the manner the agreement was made, e.g., by phone conversation and any confirming documentation of the agreement, i.e., the email conversation demonstrating the agreement.

Anticipated Completion Date:

Training will be completed by June 30, 2017

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Contact Persons:

Lisa Hinson-Hatz, Accounting Technician
Sharon DeAngelis, Business Administrator II

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Education ***2016-045***
NH Department of Education

CFDA #84.126 Vocational Rehabilitation

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042
10/1/2014-9/30/2015 H126A150042

Finding: Semi-annual certification supporting salaries and wages was missing.

Criteria:

Per department policy, employees who work solely on a single cost objective are to complete a semi-annual certification to certify they have worked solely on activities that support the cost objective.

Condition:

We noted that for one of the 40 employees selected for payroll testwork, the employee's salary and wages were not supported by a semi-annual certification.

Cause:

This appears to result from inadequate monitoring controls in place ensuring the employee's salaries and wages are supported by semi-annual certifications validating the employees worked solely on that program for a period of six months. Employees are able leave the department prior to when the semi-annual certifications are completed, which results in non-compliance

Effect:

The State is not in compliance with the time certification standards established by the program which could result in a misreporting of allowable costs.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-031

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Recommendation:

We recommend that management enhance current policies to ensure certifications are completed prior to leaving the department and are signed by the employee and supervisory official having first-hand knowledge of the work performed by the employee.

Views of Responsible Officials:

We have created and implemented a checklist that is used when an employee either resigns or retires to ensure all aspects are finalized before the employee leaves State service. This checklist includes the semi-annual certification. Once the administrative office receives notification that an employee is resigning or retiring, the checklist is sent to the employee's supervisor along with the semi-annual certificate that needs to be completed. As the resignation/retirement date approaches, central office will reach out to the supervisor to ensure the checklist is being utilized and the certification will be completed.

VR Resignation Checklist

Once you have learned that an employee is retiring or resigning, please be sure to complete the following tasks:

Employee Name: _____ Date of Termination: _____

- ☐ Submit a copy of the resignation letter to Human Resources.
- ☐ Notify Central Office of resignation so AWARE access may be terminated.
- ☐ Return completed Semi-Annual VR Time Certificate to Central Office.
- ☐ Collect any State property (laptops, cell phones, wires, wireless cards, iPads, etc.).
- ☐ Collect any office keys/terminate key card access.
- ☐ Collect employee ID badge and return to Human Resources.
- ☐ Make sure employee's last timecard has been completed and approved.

Anticipated Completion Date:

Implemented October 1, 2016

Contact Persons:

Lisa Hinson-Hatz, Accounting Technician
Sharon DeAngelis, Business Administrator II

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S Department of Education ***2016-046***
NH Department of Education

CFDA #84.126 Vocational Rehabilitation

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042
H126A150042

Finding: Direct program drawdowns not performed in accordance with the Treasury State agreement.

Criteria:

The regulations codified at 31 CFR 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement also knows as the Treasury-State Agreement. The rules included in Subpart A of the codification are the rules applicable to the Federal Assistance Programs included in a Treasury-State Agreement (TSA). A TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Department of Treasury and the State and identify the Federal assistance programs governed by Subpart A. If anything in a TSA is inconsistent with Subpart A, that part of the TSA will not have any effect and Subpart A will govern (31 CFR 205.6 (a)).

Condition:

For certain Federal programs the Department of Education (the Department) has implemented a central draw process where the Department ascertains the amounts that can be reimbursed and then draws down the Federal funds. The process consists of using the State's accounting system, Lawson, to identify the Federal reimbursements. The Department utilizes the Cash Management Improvement Act subsystem (CMIA system), a module of Lawson, to ascertain the direct program costs.

During our audit, we noted that the TSA states for payments relating to direct program costs the State must draw down funds from the United States Treasury as defined by the TSA using the Average Clearance techniques of 4 days.

We selected 40 cash drawdowns for the Vocational Rehabilitation program of which seven were not drawn using the average clearance pattern of 4 days. The calculated clearance for four cash draws was greater than 30 days, and for three cash draws was 5, 6 and 16 days.

Cause:

The Department has implemented controls and uses the State's CMIA system in order to ensure adherence to the TSA. However, for four of the seven drawdowns identified, activity codes were not submitted with the expense by the Vocational Rehabilitation program. As a result, these expenses were not identified for CMIA draws and the drawdowns for the expenses were delayed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Effect:

The State is not in compliance with the Treasury-State Agreement.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-030

Recommendation:

The Department should institute controls to ensure all expenses have associated activity codes, and that the correct clearance patterns/techniques are included in the CMIA system.

Views of Responsible Officials:

The Department has now implemented processes and procedures to ensure that federal funds are drawn consistently and accurately in accordance with the federal program requirements. In addition, the Department is in the process of working with the State of New Hampshire Treasury to modify our Treasury-State Agreement (TSA) and the CMIA system reflect the same required and approved clearance patterns.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Tammy Vaillancourt, DOE, Executive Project Director
Steve Giovinelli, DAS, Federal Grants and Cost Allocation Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Veterans Affairs ***2016-047***
NH Veterans Home

CFDA #64.015 Veterans State Nursing Home Care

Grant Year: 2016

Finding: Controls over emergency purchases should be improved.

Criteria:

Title 2 CFR 200.303(a), *Internal Controls,* requires non-Federal entities receiving federal awards establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

Each month the Veterans Home (Home) accumulates its allowable costs to determine the Home's daily cost of care. The daily cost of care is one of the items reported to the Department of Veterans Affairs in the Home's monthly request for federal per diem.

During our test of controls over allowable costs, we noted the Home did not fully document its internal control procedures for one expenditure out of the 40-items tested. No documentation evidencing the Home's initial authorization to proceed with the purchase of a service was available nor was there documentation on file evidencing the receipt of the service.

Cause:

The Home reports the expenditure was for an emergency purchase and due to the urgency of the purchase a verbal authorization to proceed was given. In cases of emergency purchases, while verbal authorization may be given at the onset, the Home's standard control procedures for an authorization and for the receipt of service are to follow the verbal approval and are intended to be applied and documented.

Effect:

The inconsistent application and documentation of internal controls over expenditures increase the Home's risk of unauthorized purchases and unallowable costs.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Home should strengthen its procedures for emergency purchases to ensure intended controls are applied consistently and documented as intended by management.

Views of Responsible Officials:

The Home will strengthen procedures for emergency purchases. The Home will ensure that controls are applied consistently and documentation is supplied as the Home's management has requested.

All relevant employees will be trained on these procedures.

Anticipated Completion Date:

March 31, 2017

Contact Person:

Margaret D. LaBrecque, Commandant

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Environmental Protection Agency ***Finding: 2016-048***
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:

2012	***CS330001-12 (CWSRF), FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF), FS991150-13 (DWSRF)***

Finding: Noncompliance with requirements over period of performance for the DWSRF and CWSRF program.

Criteria:

Payments to the line of credit (LOC) from a particular grant will begin in the quarter in which the grant is awarded and will end no later than the earlier of eight quarters after the capitalization grant is awarded or twelve quarters after advices or allowances are issued to the regions (40 CFR § 35.3155 (c) and 40 CFR §35.3560 (b)).

Condition:

State Revolving Fund grants cover seven to ten year periods. To control the flow of funds to the State, the EPA sets payment schedules within each grant and includes these as the period of performance compliance requirement. During our testing of the period of performance requirement for the DWSRF and CWSRF programs, we noted two DWSRF grant awards with draws outside of the period of performance and two CWSRF grant awards with draws outside of the period of performance.

For the DWSRF FY2012 grant award, the payment schedule ended 6/30/2014 and for the FY2013 grant award, the payment schedule ended 6/30/2015. However, in FY2016, there were 11 drawdowns totaling $5,897,521 in federal expenditures that occurred after the period of performance had ended. The period of performance was calculated using the date the capitalization grant was awarded as required by 40 CFR §35.3560 (b).

For the CWSRF FY2012 grant award, the payment schedule ended 3/31/2014 and for the FY2013 grant award, the payment schedule ended 6/30/2015. However, in FY2016, there were 5 drawdowns totaling $627,356 in federal expenditures that occurred after the period of performance had ended. The period of performance was calculated using the date the capitalization grant was awarded as required by 40 CFR §35.3155 (c).

By the end of FY2016 for both CWSRF and DWSRF, the FY2012 grant awards were fully liquidated. The CWSRF FY2012 grant award had 100% of the federal funds drawn outside of the grant's period of performance. The DWSRF FY2012 grant award had 69% of the federal funds drawn outside of the grant's period of performance.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

These draws included expenditures incurred after the payment schedule end date, but before the end of the grant period. The draws did not occur within the applicable payment schedule end date as required by Federal regulations.

Cause:

Ineffective internal controls over ensuring the period of performance requirements were met.

Effect:

DES was not in compliance with period of performance requirements for fiscal year 2016.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-044

Recommendation:

DES should establish controls, including written policies and procedures, related to period of performance requirements to ensure expenditures are spent and draws are drawn within a grant's period of performance.

Clean Water:

Views of Responsible Officials:

DES partially concurs. According to 40 CFR §35.3155 (a-b) and §35.3560 (b), EPA is required to make "payments" to the states the earlier of 8 quarters after the grant is awarded or 12 quarters after advices of allowances are issued to the Regions. 40 CFR §35.3560 (a) defines payment as "A State will receive each capitalization grant payment in the form of an increase to the ceiling of funds available through the ACH, made in accordance with a payment schedule negotiated between EPA and the State." The CFRs do not require the states to draw the funds within 8 quarters of the grant award. DES has reached out to EPA for interpretation of this language and will work with EPA to resolve the interpretation of these CFRs.

Anticipated Completion Date:

December 31, 2017

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Contact Person:

Tracy Wood, Administrator, DES Wastewater Engineering Bureau

Drinking Water:

Views of Responsible Officials:

DES partially concurs. According to 40 CFR §35.3155 (a-b) and §35.3560 (b), EPA is required to make "payments" to the states the earlier of 8 quarters after the grant is awarded or 12 quarters after advices of allowances are issued to the Regions. 40 CFR §35.3560 (a) defines payment as "A State will receive each capitalization grant payment in the form of an increase to the ceiling of funds available through the ACH, made in accordance with a payment schedule negotiated between EPA and the State." The CFRs do not require the states to draw the funds within 8 quarters of the grant award. DES has reached out to EPA for interpretation of this language and will work with EPA to resolve the interpretation of these CFRs.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, DES Drinking Water Groundwater Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Environmental Protection Agency ***Finding: 2016-049***
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:

2010	***CS330001-10 (CWSRF), FS991150-10 (DWSRF)***
2011	***CS330001-11 (CWSRF), FS991150-11 (DWSRF)***
2012	***CS330001-12 (CWSRF), FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF), FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF), FS991150-14 (DWSRF)***

Finding: Noncompliance with annual and final Federal Financial Reports (FFR) SF-425 for the DWSRF and CWSRF programs.

Criteria:

40 CFR 31.41 (b) and 40 CFR 31.50 (b) are existing requirements that mandate EPA recipients submit annual and final Federal Financial Reports (FFR's) SF-425 to the EPA. Annual FFRs are due no later than 90 calendar days following the end of the reporting year. Final FFRS are due within 90 days after the expiration or termination of grant support.

40 CFR 31.25 (b) states that program income is gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period.

EPA *"Guidance on Fees Charged by States to Recipients of Clean Water State Revolving Fund Program Assistance"* dated October 20, 2005 states, "[f]ees collected or loan charges in addition to principal and interest that are not deposited as loan repayments are "income received by the grantee***directly generated by a grant supported activity"". According to 40 CFR Part 31, income "directly generated by a grant supported activity" is considered program income.

Federal grant agreements for the CWSRF program include provisions for "program income from administrative fees".

Condition:

The Department of Environmental Services (DES) submitted all ten federal financial reports (SF-425) (five reports for the DWSRF and five reports for the CWSRF) for the DWSRF and CWSRF untimely in FY2016, ranging from 183 to 305 days late.

The filed reports were not fully completed as they did not include required information on program income. Program income is based on a 2% administrative fee on projects with outstanding loans once

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

construction is completed. None of the ten filed SF-425s reported the program income for the grant awards.
In addition, we noted the SF-425 filed for the 2012 CWSRF grant underreported the federal share of expenditures by $249,658.

Cause:

FFRs were not filed timely due to ineffective controls over reporting.

Effect:

The DES is not in compliance with federal reporting requirements 40 CFR 31.41 (b) and 40 CFR 31.50 (b).

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-043

Recommendation:

The DES should improve controls over federal financial reporting. The DES should make it a priority to file timely and complete annual FFR's for any grant open during the fiscal year.

Clean Water:

Views of Responsible Officials:

DES agrees that the FY16 FFRs were submitted late. Due to staffing constraints, DES was behind in filing annual FFRs and made a concerted effort over the course of the past year to catch up on filing overdue reports. During FY17, all required FFRs have been submitted timely and accurately. DES has made it a priority to submit all required reports timely.

DES concurs that the SF-425 filed for the 2012 CWSRF grant underreported the federal share of expenditures by $249,658. This error was corrected and verified in the subsequent annual report for FY17.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

DES has not been reporting program income on Federal Financial Reports based on guidance provided by EPA. DES agrees the reports should include all required information and will work with EPA to ensure future reports include required information.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Tracy Wood, Administrator, DES Wastewater Engineering Bureau

Drinking Water:

Views of Responsible Officials:

DES agrees that the FY16 FFRs were submitted late. Due to staffing constraints, DES was behind in filing annual FFRs and made a concerted effort over the course of the past year to catch up on filing overdue reports. During FY17, all required FFRs have been submitted timely and accurately. DES has made it a priority to submit all required reports timely.

DES has not been reporting program income on Federal Financial Reports based on guidance provided by EPA. DES agrees the reports should include all required information and will work with EPA to ensure future reports include required information.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, DES Drinking Water Groundwater Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Environmental Protection Agency ***2016-050***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
2015 ***FS991150-15 (DWSRF)***

Finding: Risk assessment for compliance with subrecipient monitoring should be developed.

Criteria:

In accordance with 2 CFR § 200.331 (b), all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Condition:

The DWSRF program does not have a documented risk assessment to determine the appropriate subrecipient monitoring. The DWSRF program provides partial risk assessment for the compliance requirements monitored in award identification but no risk assessment exists for procedures to be performed for during-the-award monitoring.

Cause:

DES has not developed a formal risk assessment procedure over subrecipient monitoring.

Effect:

DES was not in compliance with the requirement to formally evaluate each subrecipient's risk of noncompliance with subrecipient monitoring requirements for fiscal year 2016.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation:

DES should develop a formal risk assessment to evaluate each subrecipient's risk of noncompliance with the subrecipient monitoring compliance requirements.

Views of Responsible Officials:

DES concurs. While DWSRF currently has risk assessment components in place and performs extensive monitoring throughout the life of a project we understand that a formal risk assessment procedure is required. A formal risk assessment procedure will be developed.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water and Groundwater Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Environmental Protection Agency ***Finding: 2016-051***
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:

2012	***CS330001-12 (CWSRF), FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF), FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF), FS991150-14 (DWSRF)***
2015	***CS330001-15 (CWSRF), FS991150-15 (DWSRF)***

Finding: Controls over the matching and earmarking requirements for the DWSRF and CWSRF programs should be strengthened.

Criteria:

In accordance with 40 CFR section 35.3550 (g), a State must agree to deposit into the Fund an amount from State monies that equals at least 20 percent of each capitalization grant payment. A State must deposit the match into the Fund on or before the date that a State receives each payment from a capitalization grant.

The State match percentage is applied per dollar of Federal funds. The maximum Federal portion would be 83.3%.

Effective controls must be maintained for all set-asides under the DWSRF and CWSRF program. Set-aside expenditures must be actively monitored to ensure compliance with allotment percentages earmarked for set-aside activities authorized in federal grant agreements and 40 CFR §35.3535 (b) through (e).

Condition:

The controls established by DES to ensure the maximum percentage allotments for each set-aside have not been exceeded, were not properly evidenced as operating in FY2016. The CWSRF and DWSRF maintain reports that document the cumulative expenditures and allotted set-aside amounts but do not have documentation to evidence that the reports were used to track the earmarking requirements prior to each drawdown that occurred in FY2016.

In addition, the CWSRF uses a spreadsheet as a control for tracking the additional subsidy (principal forgiveness) and green infrastructure earmarking requirements. Management review and approval of the spreadsheet is not evidenced by the CWSRF.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Cause:

DES does not appear to have internal controls in place over the matching and earmarking compliance requirements.

Effect:

Neither the DWSRF or the CWSRF had effective controls in place over the Matching and Earmarking requirements.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

DES should improve controls over the matching compliance requirements at the time of disbursement by documenting management's review and approval of match calculations for each loan disbursement. DES should improve controls over the monitoring of set-aside earmarking requirements. Established controls should be evidenced. The tracking spreadsheet used for monitoring the set-aside earmarking requirements should be reviewed prior to each quarterly drawdown and management's approval should be documented.

CWSRF

Views of Responsible Officials:

DES will improve established earmarking controls by including evidence of reviews prior to drawdowns being performed. Procedures will be modified to include evidence of a review of available balances before drawdown.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Tracy Wood, Administrator, DES Wastewater Engineering Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

DWSRF

Views of Responsible Officials:

DES will improve established earmarking controls by including evidence of reviews prior to drawdowns being performed. Procedures will be modified to include evidence of a review of available balances before drawdown.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, DES Drinking Water Groundwater Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Environmental Protection Agency ***Finding: 2016-052***
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:

2012	***CS330001-12 (CWSRF), FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF), FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF), FS991150-14 (DWSRF)***
2015	***FS991150-15 (DWSRF)***

Finding: Noncompliance and control failure over monitoring of subrecipient audits for the CWSRF and DWSRF program.

Criteria:

Pass-through-entities are responsible for ensuring that subrecipients expending $750,000 or more in Federal awards during the subrecipient's fiscal year for the fiscal years beginning on or after December 26th, 2014 have met the audit requirements of 2 CFR part 200, subpart F, for Grant award *FS991150-15 (DWSRF).*

The DWSRF and CWSRF, as pass-through entities, are required to ensure the audit requirements of OMB Circular A-133 for the fiscal year are met, and issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action.

Condition:

The DWSRF and CWSRF programs are responsible for monitoring subrecipients to ensure recipients expending federal subawards who meet the audit requirements, are being audited and performing necessary follow ups on audit findings.

We noted six of 15 subrecipients selected for testwork (40%) for the DWSRF did not have an A-133 Single Audit report review performed or a waiver was not signed indicating the subrecipient expended less than the $750,000 threshold; thereby making the single audit not applicable.

The types of errors noted included the following:

- Two of the 15 were not being monitored or tracked for their FY2015 Single Audit report in FY2016.
- For one of 15, the audit report was received by the DWSRF but not reviewed.
- For one of 15, a waiver was signed and accepted by the DWSRF despite the subrecipient expending over $2.4 million in federal expenditures and having a Single Audit performed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

- For one of 15, the Single Audit report was requested and received by the DWSRF program but the DWSRF federal expenditures were not included on the subrecipient's Schedule of Expenditures of Federal Awards.

We noted four of the five subrecipients selected for testwork for the CWSRF did not have a Single Audit report review performed or a waiver signed indicating the subrecipient expended less than the threshold. One of the four noted selections was not included on the tracking report used by CWSRF. The selection that did have a Single Audit report review performed did not have CWSRF expenditures on the subrecipient's Schedule of Expenditures of Federal Awards.

Cause:

DES reports the cause is due to lack of available staff to perform the designed controls.

Effect:

DES was not in compliance with subrecipient monitoring requirements for fiscal year 2016.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-045

Recommendation:

The CWSRF and DWSRF programs should improve controls over the tracking, review and follow-up of Single Audit reports as required by the subrecipient monitoring Federal compliance requirements.

Clean Water:

Views of Responsible Officials:

DES concurs. Due to staffing constraints the SRF program was behind in reviewing audit reports. The review section is now fully staffed and catching up on all single audit report reviews and follow-up. SRF will continue to improve upon our monitoring process and efforts.

Anticipated Completion Date:

December 31, 2017

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Contact Person:

Tracy Wood, Administrator, DES Wastewater Engineering Bureau

Drinking Water:

Views of Responsible Officials:

DES concurs. Due to staffing constraints the SRF program was behind in reviewing audit reports. The review section is now fully staffed and catching up on all single audit report reviews and follow-up. SRF will continue to improve upon our monitoring process and efforts.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, DES Drinking Water Groundwater Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Environmental Protection Agency ***Finding: 2016-053***
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:

2012	***CS330001-12 (CWSRF), FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF), FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF), FS991150-14 (DWSRF)***
2015	***FS991150-15 (DWSRF)***

Finding: Noncompliance with setting of principal and interest repayment due dates for the CWSRF and DWSRF programs.

Criteria:

An assistance recipient can be awarded a loan only if an assistance recipient begins annual repayment of principal and interest no later than one year after project completion. A project is completed when operations are initiated or are capable of being initiated (40 CFR § 35.3525 (a)(1)(i)) and 40 CFR 35.3120 (a)(1)(ii)).

Condition:

DWSRF
During testing of DWSRF loan repayments, we noted that, for 1 of 8 loans tested (12.5%), the DWSRF had set the first repayment due date of principal and interest to be repaid 42 days more than one year after project completion.

CWSRF
During testing of CWSRF loan repayments, we noted that, for 3 of 4 loans tested (75%), the CWSRF set the first repayment due dates of principal and interest to be repaid more than one year after project completion, ranging from 62 to 382 days after one year from project completion.

Cause:

Ineffective internal controls over the review and approval of loan agreements and repayment schedules.

Effect:

DES was not in compliance with requirements due to ineffective internal controls over the DWSRF and CWSRF special tests and provisions requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-046

Recommendation:

DES should establish written policies and procedures, including documented review and approval controls, over loan repayments to ensure that the federal compliance requirements are met. The DWSRF and CWSRF
programs should develop procedures to document an agreed upon construction completion date between the program and the assistance recipients prior to the completion of loan agreements. The programs should increase efficiency in the timeliness of processing Supplemental Loan Agreements to better facilitate billing of loan recipients prior to the one year requirement.

Clean Water:

Views of Responsible Officials:

DES concurs. This was a finding in the FY15 audit report and program staff have been working diligently to address the issue, however, there were some loans that were completed during the interim period before new and updated procedures were fully implemented. The CWSRF identified and implemented improvements to maintain compliance with this requirement. In addition, both Clean Water and Drinking Water have submitted changes to administrative rules and updated loan documents to clarify procedures and implement a consistent process for setting repayment dates.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Tracy Woods, Administrator, Wastewater Engineering Bureau

Drinking Water:

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Views of Responsible Officials:

DES concurs. This was a finding in the FY15 audit report and program staff have been working diligently to address this issue, however, there were some loans that were completed during the interim period before new and updated procedures were fully implemented. DWSRF identified and implemented improvements to help maintain compliance with this requirement. In addition, both Clean Water and Drinking Water have submitted changes to administrative rules and updated loan documents to clarify procedures and implement a consistent process for setting repayment dates.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water and Groundwater Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-054***
NH Department of Health and Human Services

CFDA # 93.959 Block Grants for the Prevention and Treatment of Substance Abuse

Grant Years and Awards:
10/01/2013 – 09/30/2015 3B08T1010035-14S1
10/01/2014 – 09/30/2016 3B08T1010035-15S1

Finding: Noncompliance with components of the subrecipient monitoring requirements.

Criteria:

A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)).

Condition:

During the State fiscal year ended June 30, 2016, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements in accordance with the Uniform Guidance. While the Department was able to demonstrate that the Bureau of Drug and Alcohol Services (BDAS), the responsible Bureau for the financial activities of the grant did perform the financial monitoring and certain other requirements in accordance with OMB Circular A-133, we noted that the Department has not implemented procedures to ensure that monitoring of the subrecipient activities is performed in accordance with the Uniform Guidance.

As part of our subrecipient monitoring testwork over the Substance Abuse Block Grant program, we reviewed the subrecipient listings maintained by BDAS and we selected a sample of 5 subrecipients and 10 payments made to subrecipients during the audit period and noted the following:

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

- The Department does not identify subawards to subrecipients and contracts to vendors separately and the SFY 2015 subrecipients were not identified by BDAS.

- The Department did not identify the Federal Award Identification Number (FAIN) and did not include the FAIN number in 5 of the 5 subawards during the audit period.

- The Department did not include the date when the Federal award was signed by the authorized official of the Federal awarding agency in 5 of the 5 subawards during the audit period.

- The Department did not include the name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity in 5 of the 5 subawards during the audit period.

- The Department did not identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

Additionally, we noted that the Department did not evaluate each of the 5 subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the 5 subaward nor has the Department implemented a process to evaluate the subrecipients' risk of noncompliance.

Cause:

The State Department's policies and procedures are not designed to meet the regulations set forth in the Uniform Guidance.

Effect:

The effect is non-compliance with the subrecipient monitoring requirements.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

We recommend management develop and implement the subrecipient monitoring procedures to provide reasonable assurance that the subrecipient activities are in accordance with the current Federal regulations.

Views of Responsible Officials:

The Department concurs that subrecipient monitoring procedures need to be strengthened. The Department will, over the next several months, put procedures in place that will bring the Department current with the UG requirement in subsequent years.

Anticipated Completion Date:

June 30, 2018

Contact Person:

Laurie Heath, BDAS Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

U.S. Department of Health and Human Services ***2016-055***
NH Department of Health and Human Services

CFDA # 93.959 Block Grants for the Prevention and Treatment of Substance Abuse

Grant Year and Award:
10/01/2013 – 09/30/2015 3B08T1010035-14S1

Finding: Noncompliance with the period of performance and reporting requirements.

Criteria:

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 the State fiscal year ended June 30, 2016, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal period of performance requirements. Based on the procedures performed, we noted that $1,910,749 in Federal expenditures which were liquidated after the period of performance, September 30, 2015, were included in the 2014 GYR final report as expended. We reviewed 100% of the $1,910,749 Federal expenditures and noted that only $1,482,385 were for expenditures incurred within the period of performance: October 1, 2013 through September 30, 2015 and $428,365 were for expenditures incurred after September 30, 2015. As the 2014 GYR final report is on a cash basis, the $1,910,749 should not have been included.

Cause:

The Department's controls, policies and procedures are not designed to truly identify the actual costs incurred within the period of performance.

Effect:

The effect is non-compliance with the period of performance and reporting requirements.

Questioned Costs:

$428,365

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Repeat Finding:

No

Recommendation:

We recommend management develop and implement controls and procedures to provide reasonable assurance that the amounts included in the final grant expenditures meet the period of performance requirements and are reported properly.

Views of Responsible Officials:

The Department concurs. Procedures are now in place as of December 31, 2016 to insure that expenditures are monitored more closely and meet the period of performance requirement. In fact, expenditures are being monitored on a monthly basis and reported to DHHS management on a monthly basis.

Anticipated Completion Date:

Completed as of December 31, 2016

Contact Person:

Laurie Health, BDAS Financial Manager

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-003	*Multiple*	84.126 96.001 10.557 93.069 93.268 93.563 93.658 93.667 12.400 12.401 17.225 15.605 15.611 20.509	Ineffective general information technology controls to the NHFirst Human Resources/Payroll Lawson System	None	*Unresolved. See G-11 and related finding 2016 - 005*
2015-004	*Department of Health and Human Services*	10.561 93.045 93.053 93.558 93.563 93.575 93.596 93.658 93.667 93.044 10.551 10.557 93.069	Allocated payroll costs not approved or fully supported	$ 5,814	*Unresolved. See G-14 and related finding 2016-033*
2015-005	*Department of Health and Human Services*	93.667	Payroll costs not approved or fully supported for grant employees	$ 194	*Resolved, Questioned Costs remain open*
2015-006	*Department of Health and Human Services*	93.778	Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services	None	*Unresolved. See G-16 and related finding 2016-007*
2015-007	*Department of Health and Human Services*	93.778	Absence of controls over the reconciliation of the State's Medicaid claims data included in the capitation rate development for the Medicaid Care Management Program	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-008	*Department of Health and Human Services*	93.558 93.596 93.667 93.044 93.045 93.575 93.778	Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and amounts transferred from the TANF program need to be strengthened	None	*Partially Resolved. See G-19*
2015-009	*Department of Health and Human Services*	93.558	Hours worked by program participants used towards the compliance with annual work participation rates does not agree to supporting documentation and missing participants applicable verification records	None	*Partially Resolved. See G-22*
2015-010	*Department of Health and Human Services*	93.069	The Department of Health and Human Services (DHHS) should improve its internal controls over and comply with the Earmarking Requirements.	$ 51,520	*Unresolved. See G-24 and related finding 2016-030*
2015-011	*Department of Health and Human Services*	93.069	The Department should improve its internal controls over and compliance with equipment inventory requirements.	None	*Unresolved. See G-27 and related finding 2016-031*
2015-012	*Department of Health and Human Services*	10.557	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.	None	*Unresolved. See G-29 and related finding 2016-011*
2015-013	*Department of Health and Human Services*	93.563 93.658 93.575 93.596	Program drawdowns not in accordance with Treasury –State Agreement	None	*Resolved*
2015-014	*Department of Health and Human Services*	93.575 93.596	Per review of the provider files, provider visits were not performed within the year, as is the Department's monitoring policy for eligible providers.	Not determinable	*Unresolved. See G-32 and related finding 2016-014*
2015-015	*Department of Safety*	97.036	Treasury- State Agreement (TSA) requirements should be complied with	None	*Unresolved. See G-34 and related finding 2016-035*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-016	*Department of Safety*	97.036	Controls over subrecipient monitoring procedures should be improved and compliance with Federal requirements achieved.	None	*Unresolved. See G-37 and related finding 2016-036*
2015-017	*Department of Safety*	97.036	The Department should improve internal controls over and compliance with reporting of the SF-425 and the filing of eligible costs in accordance with the Project Accounting requirements.	None	*Partially Resolved. See G-40 and related finding 2016-037*
2015-018	*Department of Fish and Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	Not determinable	*Partially Resolved. See G-43 and related finding 2016-038*
2015-019	*Department of Fish and Game*	15.605 15.611	Request for reimbursements not performed timely	None	*Resolved*
2015-020	*Department of Fish and Game*	15.605 15.611	Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Unresolved. See G-46 and related finding 2016-039*
2015-021	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Unresolved. See G-49 and related finding 2016-040*
2015-022	*Department of Fish and Game*	15.605 15.611	Incorrect amounts were used in the indirect cost calculations	None	*Resolved*
2015-023	*Department of Fish and Game*	15.605 15.611	Department of Fish & Game did not seek approval of rental agreement rates.	Not determinable	*Resolved*
2015-024	*Office of Energy and Planning*	93.568	Compliance with the Treasury State Agreement (TSA) was not met. Draws on direct program costs were often more frequent than bi-weekly as prescribed by the TSA.	Not determinable	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-025	*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-52 and related finding 2016-041*
2015-026	*Department of Employment Security*	17.225	Controls over Unemployment Insurance (UI) benefit overpayments should be improved.	None	*Resolved*
2015-027	*Veteran's Home*	64.015	Controls over per diem requests should be improved	$ 6,609	*Resolved, Questioned Costs remain open*
2015-028	*Department of Education*	84.126	Eligibility determination guidelines were not followed.	None	*Resolved*
2015-029	*Department of Education*	84.126	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.	None	*Resolved*
2015-030	*Department of Education*	84.126	Direct program drawdowns not performed in accordance with the Treasury State Agreement	None	*Unresolved. See G-55 and related finding 2016-046*
2015-031	*Department of Education*	84.126	Semi-annual certification supporting salaries and wages was missing	Not determinable	*Unresolved. See G-57 and related finding 2016-045*
2015-032	*Department of Education*	84.377 84.388	Subrecipient did not have active DUNS numbers, and during the award monitoring did not occur	None	*Resolved*
2015-033	*Department of Education*	96.001	Noncompliance with Federal reporting requirements	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-034	*Department of Education*	84.048	Controls over monitoring subrecipient cash management procedures should be improved	None	*Resolved*
2015-035	*Department of Education*	84.048	The Interim Financial Status Report for the Consolidated Annual Report did not agree to supporting documentation.	None	*Resolved*
2015-036	*Department of Transportation*	20.106	Direct program drawdowns not performed in accordance with the Treasury-State Agreement	None	*Resolved*
2015-037	*Department of Resources and Economic Development*	17.258 17.259 17.278	Request for reimbursements not performed timely	None	*Resolved*
2015-038	*Department of Resources and Economic Development*	17.258 17.259 17.278	Allocation of payroll charges did not conform to Department policy	$ 194	*Resolved. Questioned Cost Remain Open*
2015-039	*Department of Resources and Economic Development*	17.258 17.259 17.278	Lack of controls over cost allocations allowed for inconsistent treatment of categorization affecting earmarking requirements	None	*Resolved*
2015-040	*Adjutant General*	12.401	Verification check not performed for Suspension and Debarment and lack of certification signed by contractor	None	*Resolved*
2015-041	*Department of Environmental Services*	66.468	Noncompliance with applicable funding technique over administrative costs in the Treasury-State Agreement	None	*Resolved*
2015-042	*Department of Environmental Services*	66.468 66.458	Lack of appropriate system access permissions controls	None	*Resolved*
2015-043	*Department of Environmental Services*	66.468 66.458	Noncompliance with the annual and final Federal Financial Report (FFR) SF-425	None	*Unresolved. See G-59 and related finding 2016-049*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-044	*Department of Environmental Services*	66.468	Noncompliance with requirements over Period of Performance for the DWSRF Program	None	*Unresolved. See G-61 and related finding 2016-048*
2015-045	*Department of Environmental Services*	66.468 66.458	Noncompliance and control failure over monitoring of subrecipient audits	None	*Unresolved. See G-63 and related finding 2016-052*
2015-046	*Department of Environmental Services*	66.468 66.458	Noncompliance with setting of principal and interest repayment due dates	None	*Unresolved. See G-65 and related finding 2016-053*
2014-003	*Multiple*	84.048 84.126 96.001 10.557 93.069 93.268 93.563 93.575 93.596 93.658 93.667 93.889 93.959 12.401 17.225 15.605 15.611	Ineffective general information technology controls related to the NHFIRST Human Resources/Payroll Lawson System	None	*Unresolved. See G-68 and related finding 2016 - 005*
2014-004	*Department of Health and Human Services*	93.778	Medicaid cases identified are not being investigated	None	*Unresolved. See G-74 and related finding 2016-007*
2014-007	*Department of Health and Human Services*	93.069 93.268 93.558 93.563 93.658 93.667	Employee time cards and pay rates and/or pay rate changes were not properly approved and payroll costs not supported for allocated payroll costs	Not determinable	*Unresolved. See G-77 and related finding 2016-033*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-008	*Department of Health and Human Services*	93.667	Earmarking requirements not met	$ 2,087	*Unresolved See G-80 and related finding 2016-022*
2014-011	*Department of Health and Human Services*	93.069	The Department of Health and Human Services (DHHS) Should Comply with the Earmarking requirement of PHEP program.	$ 108,335	*Unresolved. See G-82 and related finding 2016-030*
2014-015	*Department of Health and Human Services*	93.959	Maintenance of Effort requirement not met	$ 630	*Resolved. Questioned Cost Remain Open*
2014-018	*Department of Health and Human Services*	93.575 93.596	Missing health and safety information from provider licensing files and inadequate provider monitoring	None	*Unresolved. See G-84 and related finding 2016-014*
2014-021	*Department of Health and Human Services*	93.044 93.045 93.053 10.557 93.667 93.069 93.889 93.268	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Partially Resolved. See G-87*
2014-022	*Department of Health and Human Services*	93.558	Hours worked by program participants used towards the compliance with annual work participation rates does not agree to supporting documentation	None	*Partially Resolved. See G-91*
2014-023	*Department of Health and Human Services*	10.557	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.	None	*Unresolved. See G-93 and related finding 2016-011*
2014-026	*Department of Safety*	97.036	Subrecipient Monitoring Procedures Should Be Improved	None	*Unresolved. See G-96 and related finding 2016-036*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-027	*Department of Safety*	97.036	Treasury- State Agreement (TSA) Requirements Should Be Complied With	None	*Unresolved. See G-98 and related finding 2016-035*
2014-028	*Department of Fish and Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	Not determinable	*Partially Resolved. See G-100 and related finding 2016-038*
2014-029	*Department of Fish and Game*	15.605 15.611	Request for reimbursements not performed timely	None	*Resolved*
2014-031	*Department of Fish and Game*	15.605 15.611	Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Unresolved. See G-103 and related finding 2016-039*
2014-032	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Unresolved. See G-106 and related finding 2016-040*
2014-034	*Department of Fish and Game*	15.605 15.611	Incorrect amounts were used in the indirect cost calculations	Not determinable	*Resolved*
2014-037	*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-109 and related finding 2016-041*
2014-039	*Veterans Home*	64.015	Controls over Per Diem Requests Should Be Improved	$ 11,954	*Resolved, Questioned Costs remain open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-040	*Department of Education*	84.126	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.	None	*Resolved*
2014-042	*Department of Education*	84.377 84.388	Subrecipient audits not received by the Department of Education within nine months of the subrecipients year-end, subrecipients did not have active DUNS numbers, and during the award monitoring did not occur	None	*Resolved*
2014-044	*Department of Environmental Services*	66.468 66.458	Noncompliance with the annual Federal Financial Report (FFR) SF-425	None	*Unresolved. See G-112 and related finding 2016-049*
2013-002	*Multiple*	84.048 84.126 96.001 10.557 93.069 93.268 93.563 93.658 93.667 12.401 17.225 15.605 15.611	Ineffective general information technology controls to the NHFirst Human Resources/ Payroll Lawson System	None	*Unresolved. See G-114 and related finding 2016 - 005*
2013-009	*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	*Resolved. Questioned Cost Remain Open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2013-013	*Department of Health & Human Services*	93.667	Earmarking requirements were not met	$ 23,876	*Unresolved. See G-120 and related finding 2016-022*
2013-019	*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-122 and related finding 2016-011*
2013-024	*Department of Safety*	97.036	Sub recipient Monitoring procedures must be established	None	*Unresolved. See G-125 and related finding 2016-036*
2013-031	*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-127 and related finding 2016-041*
2013-041	*Department of Fish & Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	Unable to Determine	*Partially Resolved. See G-130 and related finding 2016-038*
2013-042	*Department of Fish & Game*	15.605 15.611	Request for reimbursements not performed timely	None	*Resolved*
2013-044	*Department of Fish & Game*	15.605 15.611	Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Unresolved. See G-133 and related finding 2016-039*
2013-045	*Department of Fish & Game*	15.605 15.611	Incomplete equipment inventory count	None	*Unresolved. See G-135 and related finding 2016-040*

TOTAL UNRESOLVED QUESTIONED COSTS AS OF MARCH 2017: $ 215,065

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Education ***Finding 2015-003***
N.H. Department of Education
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 #93.658 Foster Care – Title IV-E
CFDA #93.667 Social Services Block Grant

U.S. Department of Defense
N.H. National Guard
CFDA #12.400 Military Construction, National Guard
CFDA #12.401 National Guard Military Operations and Maintenance

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

U.S. Department of Transportation
N.H. Department of Transportation
CFDA# 20.509 Formula Grants for Rural Areas

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Condition:

The State of New Hampshire uses the NHFIRST Lawson System (Lawson or System) for the Financial Reporting and Human Resource/Payroll function. As a result of testing performed of Lawson, we determined that certain General Information Technology Controls (GITC) related to the System to be ineffective.

Specifically, for terminated users, access to Lawson should be removed in a timely manner after the date of termination of the employee. For access rights to Lawson (specific to the Human Resource/Payroll function), employees either have view-only access to their payroll and benefit information, or elevated user access, which includes additional access rights such as the ability to approve timecards. Upon date of termination, agency Human Resources initiates a transaction that notifies the Department of Administrative Services (DAS), including security management of Lawson, that the employee has been terminated, at which point the access rights for the employee are modified such that all access rights other than view-only access to the individual's payroll and benefit information, are disabled.

During our review, we noted, that for 40 out of 40 sample selections, evidence supporting the timely removal of elevated user access rights (if applicable), was not available. Further, we noted, that for 32 out of 40 sample selections, the duration from the date of termination to the date of HR notification to Lawson management was not considered timely (greater than 3 days). The duration ranged from 4 days to 1,103 days.

Cause:

The policies and procedures in place, including the notifications that trigger removal of elevated user access for terminated employees, are decentralized across the various State agencies, for which management of the Lawson application has no control over. As such, in order to remove a terminated individual from the Lawson application in a timely manner, they must rely on notification from the various state agencies, and the completeness, accuracy, and timeliness of these notifications is not consistent across the State.

Effect:

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 application.

Questioned Costs:

None

Recommendation:

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, and that evidence of that timely removal is retained. Further, procedures should be established that allow management of the Lawson application the ability to enforce policies and procedures relative to timely notification of terminated employees.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Auditee Corrective Action Plan:

DAS Financial Data Management

We concur. As of November 20, 2015, a new NH FIRST Security access policy and procedure was put in place to conduct a daily review for all back office employees moving into a termination status, e.g., T1, R1, etc. and to retain a screen image, including a date time stamp, made from the security administrator software displaying current security access roles and then security access roles following removal of all back office roles. This policy addressed employees with elevated/enhanced back office access.

Following recent discussions and clarifications relating to Supervisors with the Time Approver role and most State of New Hampshire employees with the Time Reporter role, a similar elevated/enhanced access removal policy and procedure as that for back office security access will be put in place by NH FIRST Security as of March 31, 2016.

DAS Division of Personnel

We concur, the Division of Personnel will complete a review of the termination process and implement a policy that at a minimum requires agencies to notify the NHFIRST security team in Financial Data Management of the termination within three days of the employee's final date of employment so that all access beyond basic employee can be removed.

Contact Person:

Charles Russell Director- Financial Data Management

William Armstrong - Financial Data Administrator II

Anticipated Completion Date:

Financial Data Management: March 31, 2016

Division of Personnel: June 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-005.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Health and Human Services **Finding 2015-004**
N.H. Department of Health and Human Services

CFDA #93.558 Temporary Assistance to Needy Families
CFDA #93.563 Child Support Enforcement
CFDA #93.596, 93.575 Child Care Development Fund
CFDA #93.658 Foster Care
CFDA #93.667 Social Services Block Grant
CFDA #93.044, 93.045, 93.053 Aging
CFDA #10.551, 10.561 Supplemental Nutrition Assistance Program
CFDA #10.557 Special Supplemental Nutrition Program For Women, Infants and Children
CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Awards: Various

Finding: Allocated payroll costs not approved or fully supported

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 State 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 five (5) classified and five (5) unclassified employees for four (4) pay periods and noted the following:

- Two (2) timesheets for one (1) employee were not available under the "Time Line Audit Approved" in the LBI Dashboard therefore we could not determine whether the hours were approved.

Cause:

The cause of the condition found is primarily due to the need for the administrative procedures over processing of payroll costs to be strengthened.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Effect:

The potential effect of the condition found is that if payroll costs are processed incorrectly the Federal program will be charged inaccurately or incompletely.

Questioned Costs:

$5,814

Recommendation:

We recommend that the Department review its existing payroll procedures to process payroll and implement procedures to ensure that payroll costs are calculated accurately and completely and approved appropriately.

Auditee Corrective Action Plan:

We concur. The manual processing and approval of timecards occasionally occurs as exceptions to the standard processes for various reasons. The Department will take steps to strengthen the administrative procedures associated with the manual approval of timecards to ensure sufficient documentation is maintained to support the assignment of the related payroll costs to federal programs administered by the Department.

Anticipated Completion Date:

June 30, 2016

Contact Person:

Mary Calise, Administrator IV

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-033.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Health and Human Services	***Finding 2015-006***
N.H. Department of Health and Human Services	
CFDA #93.778 Medical Assistance Program (Medicaid; Title XIX)	
Grant Year and Awards:	
10/01/2012 – 09/30/2013	***1305NH5MAP***
10/1/2014 – 09/30/2015	***1505NH5MAP***
10/1/2013 – 09/30/2014	***1405NH5MAP***

Finding: Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services

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 QIO.

Condition:

The Bureau of Improvement and Integrity, Program Integrity Unit (PIU) within the Department of Health and Human Services (the Department), 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 Department's contract with the external Quality Improvement Organization (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 Department's sampling plan for selecting the utilization reviews to be performed directly by the PIU and ascertained that the sampling plan is designed and implemented in such a way that the sampling plan can be supported by the Department's current system in place, the electronic Fraud and Abuse Detection system, or eFADS. This system is designed to be able to provide the PIU with current and valuable analysis of Medicaid claims processed by the Department.

We noted that there were 29 cases reviewed by the PIU during the audit period. However, we also noted that there is currently a backlog of 277 cases waiting to be reviewed, of which 79 cases were identified a high priority.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Additionally, we noted the QIO that the Department has contracted with, ceased all contract operations in September 2014. Per review of the contract, the QIO was contracted to perform a total of 6,000 reviews of which 2,215 were completed, leaving 3,785 reviews outstanding. Currently, the PIU is actively seeking a contractor to complete the outstanding reviews.

A similar finding was noted in the prior year report.

Cause:

The cause of the condition found is primarily due to a lack of resources assigned to the PIU which has resulted in the PIU's inability to perform the required investigations.

Effect:

The potential 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 are investigated. As part of this process, the Department should ensure that there is sufficient staffing within the Department.

Auditee Corrective Action Plan:

We concur. A new nurse reviewer was hired the end of November 2015 and has started to review backlog cases, but there is a minimum 6 month learning curve. There continues to be a staffing shortage within the Program Integrity (PI) unit. The PI Business Systems Analyst I left DHHS in October 2015 and the PI Administrator retired the end of November 2015. The Business Systems Analyst position is currently in recruitment and the work is being covered by the position's manager, Office of Improvement & Integrity (OII) Business Systems Analyst II, to ensure the nurse reviewers can obtain the system information needed to conduct reviews. This is why OII system staff were restructured to report centrally under one unit to ensure coverage of highly skill work that others within the individual OII units could not perform. OII Management has established bi-weekly and monthly review with staff to ensure cases are being reviewed and completed timely. OII management continues to monitor referrals and cases to ensure the cases with the highest potential of fraud or abuse are reviewed first.

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 perform fewer fee for service reviews and focus more on oversight of the MCOs fraud, waste, and abuse programs as there will be fewer claims processed through the MMIS system.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

PI has developed an RFP for the Quality Improvement Organization (QIO) to establish a new contract. However, with the move to Managed Care, less and less inpatient hospital claims are being processed as Fee for Service and there is a concern that there would not be enough work to entice a QIO to bid. DHHS management is reviewing to determine if the work required under the QIO could be added to the contract currently in place for the EQRO. If not, then DHHS will move forward with the RFP. The RFP does require all back cases from September 2014 to be reviewed.

Anticipated Completion Date:

QIO contract in place by July 2016.

Case reviews continue to be dependent on maintaining staffing and training of new staff, but should see improvement on case closure by December 2016.

Contact Person:

Tashia Blanchard Administrator IV

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-007.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Health and Human Services ***Finding 2015-008***
N.H. Department of Health and Human Services

CFDA #93.558 Temporary Assistance for Needy Families (TANF)
CFDA #93.596, 93.575 Child Care Development Fund
CFDA #93.667 Social Services Block Grant
CFDA #93.044 Special Programs for the Aging – Title III, Part B – Grants for Supportive Services
CFDA #93.045 Special Programs for the Aging – Title III, Part C – Nutrition Services
CFDA #93.778 Medical Assistance Program (Medicaid; Title XIX)

Grant Year and Awards:

07/01/2014 – 9/30/2014	***2014G996115***
10/1/2014 – 12/31/2014	***2015G996115***
1/1/2015 – 3/31/2015	***2015G996115***
4/1/2015 – 6/30/2015	***2015G996115***
10/1/2013 – 9/30/2015	***1401NHSOSR***
10/1/13 – 9/30/14	***14AANHT3CM***
10/1/13 – 9/30/14	***14AANHT3FC***
10/1/13 – 9/30/14	***14AANHT3HM***
10/1/13 – 9/30/14	***14AANHT3PH***
10/1/13 – 9/30/14	***14AANHT3SS***
10/1/14 – 9/30/15	***15AANHT3CM***
10/1/14 – 9/30/15	***15AANHT3FC***
10/1/14 – 9/30/15	***15AANHT3HD***
10/1/14 – 9 /30/15	***15AANHT3PH***
10/1/14 - 9/30/15	***15AANHT3SS***

Finding: Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and amounts transferred from the TANF program need to be strengthened

Criteria:

As described in §310(b)(3) of OMB Circular A-133, auditees must complete the Schedule of Expenditures of Federal Awards (SEFA) and include CFDA numbers provided in Federal awards/subawards and associated expenditures. Also, as described in §310(b)(5) of OMB Circular A-133, auditees should identify in the schedule the total amount provided to subrecipients from each Federal program, to the extent practical.

Condition:

During our testwork over the Schedule of Expenditures of Federal Awards (SEFA), we noted that there were errors included in the SEFA relating to program expenditures and certain required elements as follows:

States may transfer a limited amount of Federal Temporary Assistance for Needy Families (TANF) funds into Child Care and Development Block Grant (CCDF (CFDA 93.575). These transfers are reflected in lines 2 and 3 of both the quarterly *TANF Financial Report* ACF-196R, and the quarterly *Territorial Financial Report* ACF-196-TR. The amounts transferred out of TANF are subject to the requirements of

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

the program into which they are transferred and should not be included in the audit universe and total expenditures of TANF when determining Type A programs. The amount transferred out should not be shown as TANF expenditures on the Schedule of Expenditures of Federal Awards, but should be shown as expenditures for the program into which they are transferred.

During our review of the TANF and CCDF programs expenditures, we noted that the Department of Health and Human Services (the Department) transferred approximately $3 million of TANF funds into the CCDF program. While the transfer of funds was properly reported within the TANF and CCDF quarterly financial reports, the Department did not properly report the transferred funds on the SEFA when it was compiled and incorrectly reported the transferred funds as TANF expenditures instead of CCDF expenditures as required by federal regulations.

The Balancing Incentive Program provided financial incentives to States to increase access to non-institutional long-term services and supports (LTSS) in keeping with the integration mandate of the Americans with Disabilities Act (ADA), as required by the *Olmstead* decision and was created by the Affordable Care Act of 2010 (Section 10202). The Balancing Incentive Program authorized grants to serve more people in home and community-based settings, from October 1, 2011 to September 30, 2015. Thirteen States continue to participate in the program by spending the grant funds to increase access to new or expanded services and infrastructure and New Hampshire is one of these states through the State of New Hampshire, Department of Health and Human Services Office.

During our review of the Medicaid program expenditures, we noted that the Department did not report the Balancing Incentive Program (BIP) expenditures correctly for the current period.

The Department of Health and Human Services administers the Social Services Block Grant and the Aging Cluster program and provides services to eligible participants primarily through subaward agreements with provider agencies (subrecipients). The State identifies amounts provided to subrecipients from each Federal program by including the percentage of the total program expenditures passed through to subrecipients.

During our review of the Social Services Block Grant and the Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and the Special Programs for the Aging – Title III, Part C – Nutrition Services, which are part of the Aging Cluster program, we noted that the Department did not include the pass-through percentages accurately.

Cause:

The cause of the condition found is primarily due to insufficient review and reconciliation controls to ensure that federal funds are properly recorded on the SEFA and all required elements of the schedule are included correctly.

Effect:

The effect of the condition found is that total expenditures for the TANF, CCDF and Medicaid programs were reported incorrectly on the SEFA and the pass-through percent was not reported correctly for the SSBG and Aging Cluster programs.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Questioned Costs:

None

Recommendation:

We recommend that the Department review its existing procedures to prepare the SEFA and implement procedures to ensure that Federal amounts and all elements are reported accurately on the SEFA

Auditee Corrective Action Plan:

While we do concur with the finding, all the processes have been updated such that at the end of this year we should not have an issue with accurately submitting the SEFA.

Anticipated Completion Date:

June 30, 2016

Contact Person:

Mary Calise Administrator

Status as of March 2017:

Partially resolved. Subsequent to this finding the Department has strengthened its controls over the preparation of the SEFA and amounts transferred from the TANF program. The Department is currently reviewing the effectiveness of those controls to see if additional strengthening is required.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Health and Human Services ***Finding 2015-009***
N.H. Department of Health and Human Services

CFDA #93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:

07/01/2014 – 9/30/2014 2014G996115
10/1/2014 – 12/31/2014 2015G996115
1/1/2015 – 3/31/2015 2015G996115
4/1/2015 – 6/30/2015 2015G996115

Finding: Hours worked by program participants used towards the compliance with annual work participation rates does not agree to supporting documentation and missing participants applicable verification records.

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:

In order to monitor TANF participant required work activity the Department of Health and Human Services (the Department) requires TANF participants to submit documentation such as pay stubs or statements from employers to support their individual work activities. In order to ensure that the information submitted by the participants is accurate, on a monthly basis the Department selects a sample of cases composed 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 During our testwork over the Department's verification process we noted the following:

A. For 3 of the 40 items selected for testwork, the work hours contained on the TANF participant's case records or the job search log did not agree to the work hours reported within the New Heights system. As a result, the data contained within the New Heights system did not appear to be accurate.

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B. For 1 of the 40 items selected for testwork, the TANF participant's case record did not contain a job search log and as a result we were unable to verify that the work hours reported in the New Heights system is accurate.

Cause:

The cause of the condition found is primarily 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.

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 concurs. This issue was brought to the Department's attention as part of the 2014 audit in April of 2015. Staff have subsequently been instructed that all activity hours for each client are to be entered into the New HEIGHTS system, regardless of whether the person will meet for participation.

Anticipated Completion Date:

Complete at this time.

Contact Person:

Mary Calise, Administrator IV

Status as of March 2017:

Partially resolved. In January of 2016 the Welfare to Work Bureau Chief communicated the elements of this finding and Department's policies and procedures regarding the entry of activity hours into the New Heights System emphasizing proper adherence is required to mitigate the audit finding..

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Health and Human Services ***Finding: 2015-010***
N.H. Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

Grant Year and Award- 7/1/14-6/30/15 5U90TP000535-03

Finding: The Department of Health and Human Services (DHHS) should improve its internal controls over and comply with the Earmarking Requirements.

Criteria:

The Notice of Awards for the PHEP grant includes the following earmarking requirement:

For the Cities Readiness Initiative (CRI): This award includes $284,206 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:

During our audit of the PHEP Program, we tested the above earmarking requirement to determine whether the DHHS had earmarked the required amount to CRI jurisdictions.

We observed the CRI requirement was underfunded by $51,520.

A similar issue was noted in the prior year audit. DHHS disagreed with that finding, quoting Centers for Disease Control as stating "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 Funding Opportunity Announcement and the unexpended funds resulted in cost savings to the Federal government."

We have not been able to obtain evidence from DHHS that specific project activities were completed and the unexpended funds resulted in cost savings to the federal government.

Cause:

DHHS have compiled obligated funds at June 30, 2015, which include CRI expenditures; however, the expended and obligated amount still fell short of the required earmark amount.

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Effect:

Noncompliance with the earmarking requirements included in the PHEP program notice of award.

Questioned Costs:

$51,520

Recommendation:

We recommend that the PHEP Program review its controls to ensure that the required allotment to CRI jurisdictions is fulfilled.

Views of Responsible Officials and Corrective Actions

Contact: Dolores Cooper, Financial Manager

Auditee Corrective Action Plan:

We respectfully do not concur with the finding. First, there is no "earmarking" requirement in the CDC Grant. Second, DHHS has demonstrated full compliance with CDC PHEP/CRI Grant requirements as well as with CDC guidance on the carrying forward of unexpended grant funds.

Pursuant to the CDC grant and CDC official guidance, CDC allows grantees to carry forward into another grant year unexpended funds when the grantee is able to demonstrate completion of specific project activities (e.g. CRI) under the grant and within the budget period, and that unexpended funds resulted from a cost savings to the Federal government. If the grantee is able to demonstrate this, CDC may approve carry forward of the unexpended funds to other components of the Grant. CDC also requires that for state awardees, 75% of their allocated CRI funds must be provided to CRI jurisdictions in support of the all-hazards MCMDD planning and preparedness. We respectfully do not concur with the finding.

Here, DHHS has demonstrated that it has met all CRI project requirements as it has satisfactorily completed its contracts with CRI jurisdictions for MCMDD project activities. Not only did DHHS properly complete the required CRI project activities, it also has demonstrated that it has effectively met the Grant's performance benchmark by establishing the proper degree of MCMDD capability in the event of a large scale attack. In particular, CDC evaluated the CRI grant component during the grant through the use of its Technical Assistance Review (TAR) evaluation tool and awarded the State a passing score.

With regard to the 75% expenditure requirement of CRI funds on CRI jurisdictions, KPMG's reported figures demonstrate that NH DHHS has also achieved this requirement. KPMG states that the CRI grant component was in the amount of $284,206, and that all but $51,520 was expended in the CRI area. KPMG has incorrectly stated the amount spent on the CRI contracts for Budget Period (BP)3. State Fiscal Year 2015 included CRI contract payments for both PHEP BP 2 and BP 3. Based on the contract information provided during the audit, we show a total of $225,976.52 spent on BP3 CRI activities with an additional $48,963.14 spent on BP2. Although, the BP2 activities were paid during SFY2015, these payments were for activities provided during BP2 but, paid for during SFY2015. Accordingly, this does show $225,977 or 80% of the $284,206 CRI component of the PHEP grant was expended on CRI activities.

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In order to avoid unnecessary waste of taxpayer dollars and to better achieve the important Grant goal of public health emergency planning and preparedness, CDC and the Federal government specifically allow grantees to request and obtain CDC approval of the carry forward of savings in such circumstances to a subsequent grant year to satisfy other unmet Grant component needs. CDC has approved the carry forward under these circumstances. NH DHHHS has properly acted pursuant to CDC guidance, acted as a steward of the funds entrusted to it and sought to improve public safety pursuant to the Grant requirements.

With respect to the prior grant year finding, NH DHHS is in the process of appealing the finding. DHHS is able to and will demonstrate that it was in full compliance with CDC PHEP/CRI Grant requirements as well as with CDC guidance on the carrying forward of unexpended grant funds. The expenditure amounts reported by KPMG in the prior year audit were incorrect as evidenced by the NH DHHS Final Federal Financial Report and supporting documentation, including the State financial payments recorded by CDC Grant job numbers. This information was available to KPMG during its review, but was not properly considered. Further, as stated above, CDC and the Federal government seek to avoid waste of federal funding when a grantee meets the project requirements and achieves savings. In these circumstances, CDC will properly allow a request to carry forward unexpended funds to be spent on an identified grant purpose, resulting in better achieving the Grant's goals of public health emergency preparedness.

Implementation Date: N/A

KPMG Rejoinder:

We reviewed all documentation provided to us that was available for us to consider during fieldwork. Further, the Federal government has currently sustained the prior year finding and determined that $108,335 of prior costs should be remitted back to the Federal government.

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-030.

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U.S. Department of Health and Human Services ***Finding: 2015-011***
N.H. Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

Grant Year and Award- 7/1/14-6/30/15 5U90TP000535-03

Finding: The Department should improve its internal controls over and compliance with equipment inventory requirements.

Criteria:

45 CFR Part 92.32 (2) – US Department of Health and Human Services states "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

OMB Circular A-133, Compliance Supplement states: " A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. "

State's Long-Term Assets Policy and Procedures Manual states: "All agencies shall take a complete physical inventory of their long-term assets at the end of each fiscal year. Such inventory shall be reconciled annually with the records maintained by the agency. "

Further, the Notice of Awards for the PHEP grant includes the following equipment inventory reporting requirement. "An original and two copies of the complete inventory listing must be submitted for all major equipment acquired or furnished under this project with a unit acquisitions cost of $5,000 or more."

Condition:

The Department of Health and Human Services manages the Department's equipment centrally for all its divisions and bureaus. The Department has not taken a physical inventory for at least several years. Their Logistics Unit, responsible for equipment management, maintains the inventory records that are updated monthly. However, the records are not reconciled to the physical inventory annually as required by the State's policy.

Additionally, we noted the equipment inventory report was not submitted to the Federal government, as required per the Grant award.

Cause:

It appears that the Department's management made a decision that Department will continue to report monthly inventory changes and update the inventory list, but not perform a physical inventory.

Effect:

The State is not in compliance with the Equipment Management Federal requirement as the State policy over equipment inventory has not been followed and the complete inventory report not submitted to the Federal Government.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Questioned Costs:

None

Recommendation:

We recommend that the PHEP Program review its controls to ensure that an annual inventory count is completed and there is proper submission of required documentation of acquired equipment.

Auditee Corrective Action Plan:

We concur with this finding.

The Department of Health and Human Services acknowledges that a physical inventory was not conducted in SFY 2015. Inventory tracking is an enormous responsibility for the department given the number of long term assets exceed 45,000 and are located at over 30 sites across New Hampshire.

To address the requirement for an annual physical inventory, the department will pursue the following action plan:

- Evaluate current inventory tracking procedures to determine feasibility of completing an annual physical inventory
- Request funding for a department wide inventory tracking system in the SFY 2018-2019 Capital Budget
- Request additional staffing as deemed necessary in the SFY 2018-2019 Operations Budget.

Implementation Date:

April 1, 2016

Completion Date:

June 30, 2018

Contact Person:

Grant Beckman, Financial Manager

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-031.

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U.S. Department of Health and Human Services ***Finding: 2015-012***
N.H. Department of Health and Human Services

CFDA # 10.557 Special Supplemental Nutrition for Women, Infants and Children (WIC)

Grant Year and Award- 10/1/13-9/3/14 4NH700703
10/1/13-9/30/17 4NH700743

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 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

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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.

A similar finding was noted in the prior year report.

Cause:

Although this finding was originally identified in the fiscal 2013 single audit report, 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. It appears the requirement for the vendor to provide a SOC 1 report relative to Starlinc system controls was not included in the request for proposal or in a subsequent contract amendment to the newly executed contract.

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 operation the Starlinc system to provide the Department with an annual SOC 1 report. In the absence of a SOC 1 report, the Department should implement compensation 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, regulation, and the provisions of contracts or grant agreements of the WIC Program.

Auditee Corrective Action Plan:

We concur with the finding. Since the audit, the Department has processed a contract amendment with the vendor to include the SOC1 reporting requirement. This contract amendment was approved by Governor and Council on December 2, 2015.

Implementation Date:

December 2, 2015

Contact Person:
Dolores Cooper, Financial Manager

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Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-011.

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U.S. Department of Health and Human Services ***Finding 2015-014***
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:
10/01/2013 – 09/30/2014 1401NHCCDF
10/01/2014 – 09/30/2015 1501NHCCDF

Finding: Per review of the provider files, provider visits were not performed within the year, as is the Department's monitoring policy for eligible providers.

Criteria:

As part of their Child Care Development Fund (CCDF) 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:

During our testwork over provider health and safety special tests, we noted for six out of 40 providers selected for testwork, a monitoring visit was not performed within the year, as is the Department's monitoring policy. A monitoring visit is required to ensure the provider is operating in accordance with the childcare provider rules and regulations. For continuous monitoring efforts, each provider is required to have a monitoring visit performed during the year to ensure continual compliance with regulations.

A similar finding was noted in the prior year report.

Cause:

The cause of the condition found is due to the lack of a schedule and procedures in place to ensure proper monitoring is taking place. The cause is also due to a lack of staff to support the capacity of monitoring visits.

Effect:

The State of New Hampshire is not in compliance with the monitoring requirement of the Health and Safety special test.

Questioned Costs:

Not determinable

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Recommendation:

The Department should review their monitoring plan and 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 Regulations.

Auditee Corrective Action Plan:

The Department does concur that the required monitoring visits did not occur as they should have for the six sites noted. New Hampshire has dedicated resources to increase the number of staff in the Child Care Licensing Unit (CCLU) to meet the Department's own monitoring policy as well as to comply with the upcoming requirements of the Federal CCDBG (658E(c)(2)(K)) regarding monitoring of licensed (and unlicensed) programs which go into effect on November 19, 2016. The increase in staff would also allow for the projected annual monitoring of license-exempt providers, including relatives, dispersed throughout the regional licensing coordinators, who perform the monitoring visits. NH DHHS will hire five new licensing coordinators and one program assistant.

Anticipated Completion Date:

DHHS anticipates having the necessary staff hired by August 1, 2016.

Contact Person:

Mary Calise, Administrator IV

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-014.

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U.S. Department of Homeland Security ***Finding 2015-015***
N.H. Department of Safety – Division of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/3/11-6/30/15	***DRNH 4026 PA***
3/19/13-3/18/17	***DRNH 4105 PA***
8/02/13-8/02/17	***DRNH 4139 PA***
6/15/12-6/14/16	***DRNH 4065 PA***
11/4/12-11/4/16	***DRNH 4095 PA***
6/14/10-6/30/14	***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 two months, the Department of Safety (the Department) 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 months of August and June.

A similar finding was identified during the Single Audit for fiscal 2014.

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Cause:

The Department misunderstood the TSA agreement as stating that the Draws should be performed "At Least" monthly.

Effect:

The Department was not in compliance with the funding technique specified by the TSA Agreement, which states draws should occur monthly.

Questioned Costs:

None

Recommendation:

For the direct costs, the Department misunderstood the funding technique to be utilized. The Department was drawing 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 of Administrative Services (DAS), in conjunction with the Treasury, will implement an annual communication to all program managers for major federal programs inclusive in the State's TSA informing them of the approved average clearance pattern/technique assigned to their program in the current TSA as well as the TSA being submitted for the upcoming fiscal year.

This communication will request program managers to verify their current practices align with those prescribed in both the current TSA and the TSA being submitted for the upcoming fiscal year. In instances where current practice differs from the prescribed methods, appropriate actions will be taken to amend the TSA(s) and/or realign current practices as needed to achieve compliance.

Contact Person:

Steve Giovinelli
DAS, Federal Grants and Cost Allocation Administrator

Anticipated Completion Date:

June 30, 2016

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Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-035.

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U.S. Department of Homeland Security ***Finding 2015-016***
N.H. Department of Safety – Division of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/3/11-6/30/15	***DRNH 4026 PA***
3/19/13-3/18/17	***DRNH 4105 PA***
8/02/13-8/02/17	***DRNH 4139 PA***
6/15/12-6/14/16	***DRNH 4065 PA***
11/4/12-11/4/16	***DRNH 4095 PA***

Finding: Controls over subrecipient monitoring procedures should be improved and compliance with Federal requirements achieved

Criteria:

A pass-through entity is responsible for ensuring an applicant for a subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award, is required under 2 CFR section 25.110 and Appendix A to 2 CFR part 25.

Additionally, in accordance with 31 USC 7502(f)(2), each pass-through entity is responsible for reviewing and following up on subrecipient audit findings as well as monitoring subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements and achieves performance goals.

Condition:

During the fiscal year ended June 30, 2015, 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, as well as ensuring a subrecipient has provided a DUNS number. For a sample of 20 subrecipients, HSEM did not monitor subrecipient activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with requirements and performance goals.

A similar finding was identified during prior year single audits.

We further noted there was a lack of a formal monitoring system to ensure HSEM did not pay subrecipients over the awarded amount. For the period under audit, the system in place to track

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amounts paid to subrecipients is manually updated, and in one instance, we noted management costs paid were not included in the total, but did not result in an overpayment.

Cause:

HSEM reported lack of resources during the fiscal year ended June 30, 2015 contributed to the condition.

Effect:

HSEM was not in compliance with Subrecipient Monitoring requirements during the fiscal year ended June 30, 2015.

Questioned Costs:

None

Recommendation:

HSEM should establish and implement procedures to obtain a DUNS number, review, and follow up on subrecipient single audits where findings occur in the funded program. This will help to ensure that appropriate monitoring procedures occur and enable HSEM to make a determination whether the sub-recipient administers the Federal awards in compliance with program requirements. Further, we recommend HSEM automate the system of tracking payments made to subrecipients.

Auditee Corrective Action Plan:

All Public Assistance subs-recipients must fill in a "Request for Public Assistance" which requires their Dun and Bradstreet number. Sub-recipients must fill in one of these forms in order to be considered for funds.

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.

In 2014 we implemented a step in our procedures that include a thorough check of the A-133 Single Audit for "Audit Findings." If a finding has been identified, HSEM coordinates 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.

The Division of Homeland Security is researching grants management software to assist in the administration of all federal grants; however there is no funding in the near future to support the purchase of this.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Contact Person:

Leigh A. Cheney, Chief of Planning

Anticipated Completion Date:

The Department of Safety will complete a written policy detailing the above by June 30, 2016.

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-036.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Homeland Security ***Finding 2015-017***
N.H. Department of Safety – Division of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/3/11-6/30/15	***DRNH 4026 PA***
3/19/13-3/18/17	***DRNH 4105 PA***
8/02/13-8/02/17	***DRNH 4139 PA***
6/15/12-6/14/16	***DRNH 4065 PA***
11/4/12-11/4/16	***DRNH 4095 PA***

Finding: The Department should improve internal controls over and compliance with reporting of the SF-425 and the filing of eligible costs in accordance with the Project Accounting requirements.

Criteria:

Per 44 CFR section 13.50, when the appropriate grant award performance period expires, the Grantee shall submit the following documents within 90 days: (1) Financial Performance or progress Report; (2) Federal Financial Report (SF 425).

Further, the grantee shall submit Federal Financial Reports, SF 425, to the FEMA Regional Office 30 days after the end of the first federal quarter following the initial grant award.

For the project accounting requirement, for large projects, the State is required to make an accounting to FEMA of eligible costs. Similarly, the subgrantee must make an accounting to the State. In submitting the accounting, the entity is required to certify that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions. For improved and alternate projects, if the total cost of the projects does not equal or exceed the approved eligible costs, then the auditor should expect to see an adjustment to reduce eligible costs (44 CFR section 206.205).

Condition:

During the audit, we noted for two out of ten SF425 financial reports tested, the Department of Safety did not report figures on the SF425 that agreed with accounting records as follows:

Disaster 4095 Quarter ended 9/30/15:
Line d. Total Federal funds authorized: Reported $2,144,148.37
Line d. Total Federal funds authorized: Accounting records $2,132,375.79

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Disaster 4065 Quarter ended 6/30/15:
Line h: Unobligated balance of federal funds: Reported 0
Line h: Unobligated balance of federal funds: Accounting records $23,607.97

Further, we noted the Department did not file the required information to meet the Project Accounting special test requirement.

Cause:

There is a need to strengthen controls over review of reports to ensure amounts reported are supported. Also, there was a misunderstanding that information previously submitted to meet the Project Accounting requirements was sufficient.

Effect:

The Department is not in compliance with the reporting requirements.

Questioned Costs:

None

Recommendation:

We recommend the Department review its controls to ensure that reporting is complete and accurate, and make an accounting to FEMA of eligible project costs to ensure compliance with the project Accounting reporting requirement.

Auditee Corrective Action Plan:

Federal Financial reports SF 425 - during the processing of these we will verify that the correct amounts are recorded and supported.

Project Accounting Requirement - Staff will be meeting with FEMA Region 1 staff for a financial monitoring visit in May 2016 and will be receiving technical assistance. At this time FEMA staff will be reviewing standards and procedures for monitoring sub-recipients data collection and verification from sub-recipients to meet the quarterly reporting requirements. This technical assistance will result in procedures for grant monitoring close out verification.

Contact Person:

Leigh Cheney, Chief of Planning

Anticipated Completion Date:

This corrective action plan will be implemented April 1, 2016.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Status as of March 2017:

Partially resolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-037.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of the Interior ***Finding 2015-018***
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:

10/1/2012 - 9/30/2017	*F13AF00169;*	*7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043;*	*7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168;*	*1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201;*	*2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275;*	*5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587;*	*7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046;*	*7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890;*	*7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190;*	*1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123;*	*8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331;*	*3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270;*	*7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048;*	*7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086;*	*7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*		

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.”

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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 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 documentation of its subrecipient monitoring procedures and thus it is not able to support it complied with applicable federal requirements.
- For one sample selection out of three, the subrecipients' annual performance report was not maintained on file.
- Current design of the Microsoft Access database used for tracking contracts makes tracking and tallying subrecipient awards challenging, as subrecipients are not separately identified.

A similar finding was included in the fiscal 2013 and fiscal 2014 single audit reports.

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

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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. All documentation regarding these requirements should be maintained on file. 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 perform elements of sub-recipient monitoring, such as providing sub-recipients with applicable Federal award information, maintaining project involvement throughout the performance of sub-awards to ensure program objectives are met, and requiring periodic cost reports/invoices as well as performance reports. We also worked in the last year to better document subrecipient monitoring. We understand, however, that overall monitoring controls and documentation must be improved. We will further review compliance requirements and subrecipient monitoring guidelines to institute written policy and procedures for effectively monitoring sub-recipients.

Contact Person:

Randy Curtis, Federal Aid Administrator

Anticipated Completion Date:

June 30, 2016

Status as of March 2017:

Partially resolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-038.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of the Interior ***Finding 2015-020***
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:

10/1/2012 - 9/30/2017	*F13AF00169;*	*7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043;*	*7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168;*	*1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201;*	*2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275;*	*5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587;*	*7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046;*	*7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890;*	*7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190;*	*1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123;*	*8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331;*	*3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270;*	*7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048;*	*7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086;*	*7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*		

Finding: Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting

Criteria:

As described in §310(b)(3) of OMB Circular A 133, auditees must complete the Schedule of Expenditures of Federal Awards (SEFA) and include CFDA numbers provided in Federal awards and associated expenditures.

Condition:

The Department has not utilized the features of the State's accounting system intended for proper grants management and has instead chosen to utilize QuickBooks. 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 fiscal 2013 and fiscal 2014 single audit reports.

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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 due to errors or omissions is approximately $25,000

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:

The NHFIRST grants module is not currently available for use; however as with our response in the last audit, we did explore the purchase of an updated version of QuickBooks for our internal recordkeeping. We are hesitant to invest financial resources in a software update at this time as the grant module in Lawson would remain the best option to ensure all expenses and revenues are captured without having to run dual systems.

Contact Person:

Kathy LaBonte, Administrator III

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Anticipated Completion Date:

N/A

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-039.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of the Interior ***Finding 2015-021***
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:

10/1/2012 - 9/30/2017	*F13AF00169;*	*7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043;*	*7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168;*	*1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201;*	*2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275;*	*5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587;*	*7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046;*	*7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890;*	*7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190;*	*1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123;*	*8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331;*	*3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270;*	*7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048;*	*7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086;*	*7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*		

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 there were inventory count sheets that were not completed. Additionally, it was noted that the Fish and Game (F&G) Department does not have a tracking mechanism that easily and accurately allows for reporting of locations that have not fully completed and/or returned their inventory count sheets. For three selections out of eight, the item was not counted along with the other items at the related location. Additionally, we noted there was no follow up to count these items or explanation as to why they weren't counted. For one selection out of eight, the item was noted as not on the inventory list for the inventory location and, per the database, the item was still listed

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as located at the prior location. There was no documentation of issue resolution. For another test, it was observed for three selections out of eight, the item was not in the location specified in the inventory database, but instead loaned to a different location.

It was observed in the course of testwork that uncounted equipment included firearms. After our inquiry, management accounted for all firearms, with the exception of one that was lost or stolen in prior years. We note that the database had not been updated in prior years for this lost firearm prior to inquiry. We further note that we reviewed documentation that supported that the firearm was lost.

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.

We also noted that the condition of equipment listed in the database did not always reflect the observed condition. For six selections out of eight, the condition of the equipment was not updated from "new". For one selection out of six, it appears that the equipment was not adequately maintained and safeguarded, as there was a visible presence of rust and it was stored under an overhang exposed to all season weather.

A similar finding was included in the fiscal 2013 and fiscal 2014 single audit reports.

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. The Department is not in compliance with the requirement to insure adequate safeguards to prevent loss, damage, or theft of the equipment and to investigate and fully documented such losses when they occur.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

compliance. Additionally, we recommend that the Department take steps to ensure that all equipment is adequately safeguarded and maintained, and that stricter controls over firearm custody are implemented.

Auditee Corrective Action Plan:

We concur with the finding. The Department does have equipment inventory controls in place and has planned to better enforce these current controls by:

1. Reviewing inventory procedures and controls with Divisional Chiefs as well as within each Division to reinforce inventory requirements. This will aid in improving department communication regarding accounting for and managing their equipment inventory items.

2. Shortening the return date required for Division/Department inventory count sheets to be returned from two months to one month. This allows us more time to follow up on discrepancies and other outstanding issues that arise and need to be resolved for an accurate inventory count.

3. Reinforcing strict controls over our firearms equipment management.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

June 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-040.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Labor ***Finding 2015-025***
N.H. Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2012	***UI-22327-12-55-A-33***
2013	***UI-23906-13-55-A-33***
2014	***UI-25219-14-55-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27124-15-55-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; the Financial Status Reports (ETA 9130), UI Financial Transaction Summary reports (ETA 2112), Contribution Operations reports (ETA 581), UI Regular (ETA U13), and Overpayment Detection and Recovery Activities reports (ETA 227).

For two out of 11 reports tested, we noted supporting documentation provided did not 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 obtain reasonable assurance reports were accurate and complete. The report type containing errors is described below.

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- 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 compiled by queries provided by their consultant using the NHUIS system and it is known, by the Department and US DOL that the reporting function for the ETA 227 report has not functioned 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 2015.

Cause:

Unreliable data is generated from the NHUIS system for the ETA 227 reports, and there is not an effective review process for all sections contained in the report.

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 are properly reviewed and approved prior to transmission to the US DOL.

Auditee Corrective Action Plan:

(1) While it is true the reporting function of NHUIS did originally produce inaccurate information, significant improvements have been made and the accuracy of the report has been enhanced through the design and launch of case management systems in NHUIS for

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

both fraud investigations and debt collection. These case management systems combined with manually generated reports are currently relied upon to populate and validate the ETA 227 report. Our efforts to improve the accuracy of the report continue through the USDOL SBR funded UI Data Validation Project that will be starting once the Claims Rewrite is completed. NHES is confident all discrepancies will be addressed through this project. The NHES Quality Control Unit will be involved since they have been working closely with the vendor on validation of the reports.

(2) Meetings have been conducted with report stakeholders to reinforce the requirement to thoroughly review and approve each section of the report prior to transmission to the US DOL. Evidently, there was misinterpretation of the review expectations that NHES acknowledges must be corrected immediately.

Contact Person:

Dianne Carpenter, Unemployment Compensation Bureau Director

Anticipated Completion Date:

(1) Fall 2017
(2) Immediately

Status as of March 2017:

Partially resolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-041.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Education ***Finding 2015-030***
N.H. Department of Education

CFDA # 84.126 Vocational Rehabilitation

Grant Year and Award:
H126A150042 10/1/2014-9/30/2015
H126A140042 10/1/2013-9/30/2014

Findings: Direct program drawdowns not performed in accordance with the Treasury State Agreement

Criteria:

The regulations codified at 31 CFR 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement also knows as the Treasury-State Agreement. The rules included in Subpart A of the codification are the rules applicable to the Federal Assistance Programs included in a Treasury-State Agreement (TSA). A TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Department of Treasury and the State and identify the Federal assistance programs governed by Subpart A. If anything in a TSA is inconsistent with Subpart A, that part of the TSA will not have any effect and Subpart A will govern (31 CFR 205.6 (a)).

Condition:

For certain Federal programs the Department of Education (the Department) has implemented a central draw process where the Department ascertains the amounts that can be reimbursed and then draws down the Federal funds. The process consists of using the State's accounting system, Lawson, to identify the Federal reimbursements. The Department utilizes the Cash Management Improvement Act subsystem (CMIA system), a module of Lawson, to ascertain the direct program costs.

During our audit, we noted that the TSA states for payments relating to direct program costs the State must draw down funds from the United States Treasury as defined by the TSA using the Average Clearance techniques.

We selected 25 cash drawdowns for the Vocation Rehabilitation program of which 24 were not drawn using the approved average clearance pattern/technique in accordance with the TSA as the CMIA system does not appear to be programmed with the correct clearance pattern/technique. The calculated clearance for 22 cash draws was 5 days, and for 2 cash draws was 6 and 4 days. The TSA includes a two day clearance pattern.

Cause:

The Department has implemented controls and uses the State's CMIA system in order to ensure adherence to the TSA. However, the control used by the Department, the State's CMIA system, does not include the correct clearance patterns/techniques to ensure compliance with the TSA.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Effect:

The State is not in compliance with the Treasury-State Agreement.

Questioned Costs:

None

Recommendation:

The Department should review current cash management practices with Treasury and implement controls to ensure that the State CMIA system is accurate.

Auditee Corrective Action Plan:

The Department of Administrative Services (DAS), in conjunction with the Treasury, will implement an annual communication to all program managers for major federal programs inclusive in the State's TSA informing them of the approved average clearance pattern/technique assigned to their program in the current TSA as well as the TSA being submitted for the upcoming fiscal year.

This communication will request program managers to verify their current practices align with those prescribed in both the current TSA and the TSA being submitted for the upcoming fiscal year. In instances where current practice differs from the prescribed methods, appropriate actions will be taken to amend the TSA(s) and/or realign current practices as needed to achieve compliance.

Contact Person:

Steve Giovinelli, DAS, Federal Grants and Cost Allocation Administrator

Anticipated Completion Date:

June 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-046.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Department of Education ***Finding 2015-031***
N.H. Department of Education

CFDA # 84.126 Vocational Rehabilitation

Grant Year and Award:
H126A150042 10/1/2014-9/30/2015
H126A140042 10/1/2013-9/30/2014

Findings: Semi-annual certification supporting salaries and wages was missing

Criteria:

Per OMB Circular A-87, Attachment B, item 8(h)(3); Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Condition:

We noted that for one of the 16 employees selected for payroll testwork, the employee's salary and wages were not supported by a semi-annual certification. A certification was used to charge the respective employee's salary to the Vocational Rehabilitation program that was completed 6 months ago.

Cause:

This appears to result from inadequate monitoring controls in place ensuring the employee's salaries and wages are supported by semi-annual certifications validating theemployees worked solely on that program for a period of six months.

Effect:

The State is not in compliance with the time certification standards of Circular A-87 which could result in a misreporting of allowable costs.

Questioned Costs:

Not determinable

Recommendation:

We recommend that management enhance current policies to ensure certifications are prepared at least semi-annually and are signed by the employee and supervisory official having first-hand knowledge of the work performed by the employee.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Auditee Corrective Action Plan:

The Bureau of Vocational Rehabilitation will complete the semi-annual certification of time spent solely on a single cost objective. The current annual certification of time spent on a single cost objective will be replaced with the semi-annual certification.

Contact Person:

Sharon B. DeAngelis

Anticipated Completion Date:

April 1, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-045.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Environmental Protection Agency ***Finding: 2015-043***
N.H. 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:

2010	***FS991150-10 (DWSRF)***	
2011	***CS330001-11 (CWSRF),***	***FS991150-11 (DWSRF)***
2012	***CS330001-12 (CWSRF),***	***FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF),***	***FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF),***	***FS991150-14 (DWSRF)***

Finding: Noncompliance with annual and final Federal Financial Reports (FFR) SF-425

Criteria:

40 CFR 31.41 (b) and 40 CFR 31.50 (b) are existing requirements that mandate EPA recipients submit annual and final Federal Financial Reports (FFR's) SF-425 to the EPA. Annual FFRs are due no later than 90 calendar days following the end of the reporting year. Final FFRS are due within 90 days after the expiration or termination of the grant.

Condition:

The Department of Environmental Services (DES) did not complete annual FFR SF-425s for two grants open for the Clean Water State Revolving Fund (CWSRF) program, and for four grants open for the Drinking Water State Revolving Fund (DWSRF).

Additionally, the DES did not file final FFR SF-425s within 90 days of expiration or termination of the grant, for two CWSRF grant awards and two DWSRF grant awards which were required during SFY 2015.

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

Cause:

DES reports that the required FFRs were not filed due to lack of available staffing in the accounting office.

Effect:

The DES is not in compliance with federal reporting requirements 40 CFR 31.41 (b) and 40 CFR 31.50 (b).

Questioned Costs:

None.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Recommendation:

The DES should make it a priority to file timely annual FFR's for any grant open during the fiscal year, and file final FFRs, as required.

Clean Water and Drinking Water:

Auditee Corrective Action Plan:

DES concurs. DES will make it a priority to have staff available in order to file timely annual and final FFRs.

Contact Persons:

Tracy Wood, Administrator, Wastewater Engineering Bureau
Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

September 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-049.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Environmental Protection Agency ***Finding: 2015-044***
N.H. Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
2010 ***FS991150-10***

Finding: Noncompliance with requirements over Period of Performance for the DWSRF Program

Criteria:

Payments to the line of credit (LOC) from a particular grant will begin in the quarter in which the grant is awarded and will end no later than the earlier of eight quarters after the capitalization grant is awarded or twelve quarters after advices or allowances are issued to the regions (40 CFR § 35.3155 (c) and 40 CFR §35.3560 (b)).

Condition:

State Revolving Fund grants cover ten year periods, but to control the flow of funds to the State, the EPA sets payment schedules within each grant. During our testing of the period of performance requirement for the DWSRF, we noted that the period of performance for the Federal payment schedules of two grants ended during SFY 2015. For the grant award payment schedule that ended July 1, 2014, there were 4 federal draws totaling $573,167 processed after the grant's payment schedule end date. These draws did not occur within the applicable payment schedule end date as required but should have been drawn against the next open payment schedule.

Cause:

Ineffective internal controls over ensuring the period of performance requirements were met.

Effect:

DES was not in compliance with period of performance requirements for fiscal year 2015.

Questioned Costs:

None.

Recommendation:

DES should establish controls, including written policies and procedures, related to period of performance requirements to ensure draws are drawn within a grant's period of performance.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Auditee Corrective Action Plan:

DES concurs. The Department will review each grant payment schedule more frequently to ensure all draws are performed within the allowable period of performance for each grant.

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

June 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-048.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Environmental Protection Agency ***Finding: 2015-045***
N.H. 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:

2010	***FS991150-10 (DWSRF)***	
2011	***CS330001-11 (CWSRF),***	***FS991150-11 (DWSRF)***
2012	***CS330001-12 (CWSRF),***	***FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF),***	***FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF),***	***FS991150-14 (DWSRF)***

Finding: Noncompliance and control failure over monitoring of subrecipient audits

Criteria:

In accordance with OMB Circular A-133, Subpart D, **§___.400 (d)(4)&(5),** pass-through entities shall ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 have met the audit requirements of OMB Circular A-133.

The DWSRF and CWSRF, as pass-through entities, are required to ensure the audit requirements of OMB Circular A-133 for the fiscal year are met and issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition:

The DWSRF and CWSRF programs are responsible for monitoring subrecipients to ensure recipients expending federal subawards who meet the audit requirements are being audited and performing necessary follow ups on audit findings. We noted that the control designed to monitor subrecipient audit reports was not implemented and operating during fiscal year 2015.

Cause:

The Department of Environmental Services (DES) reports the cause is due to lack of available staff to perform the designed controls.

Effect:

DES was not in compliance with subrecipient monitoring requirements for fiscal year 2015, as subrecipient audit reports were not reviewed or followed up on.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Recommendation:

DES should maintain necessary staff levels to conduct ordinary business and review controls to ensure they are designed, implemented, and operating effectively. Controls designed and implemented effectively will help to ensure compliance with the federal subrecipient monitoring requirements.

Clean Water and Drinking Water:

Auditee Corrective Action Plan:

DES concurs. There were two full time SRF accounting positions vacant during the fiscal year and now that the positions are fully staffed the monitoring procedures are being applied.

Contact Person:

Tracy Wood, Administrator, Wastewater Engineering Bureau
Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

June 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-052.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

U.S. Environmental Protection Agency ***Finding: 2015-046***
N.H. 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:

2010	***FS991150-10 (DWSRF)***	
2011	***CS330001-11 (CWSRF),***	***FS991150-11 (DWSRF)***
2012	***CS330001-12 (CWSRF),***	***FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF),***	***FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF),***	***FS991150-14 (DWSRF)***

Finding: Noncompliance with setting of principal and interest repayment due dates

Criteria:

An assistance recipient can be awarded a loan only if an assistance recipient begins annual repayment of principal and interest no later than one year after project completion. A project is completed when operations are initiated or are capable of being initiated (40 CFR § 35.3525 (a)(1)(i)) and 40 CFR 35.3120 (a)(1)(ii)).

Condition:

DWSRF
Loan agreements between the DWSRF and the assistance recipient dictate the agreed upon project completion date and the first principal and interest repayment due date. During testing of Deposits to DWSRF, we noted that, for 2 of 25 sample selections tested, the DWSRF had set the first repayment due dates of principal and interest to be repaid more than one year after project completion, ranging from 275 to 366 days after one year from project completion. In both instances, although an earlier payment was received from the borrower, the loan agreement with the borrower did not require the first principal and interest repayment to be paid within one year, contrary to federal regulations.

During expanded testing of the compliance requirement, we noted that, for 2 of 7 sample selections tested, the DWSRF also set the first repayment due dates of principal and interest to be repaid more than one year after project completion. In one instance, the DWSRF program was untimely with a Supplemental Loan Agreement which caused the DWSRF program to extend the principal and interest due date 31 days beyond one year of project completion. In the other instance, due to the improper amortization of the repayment schedule, the DWSRF program did not require a payment that included both principal and interest until 7 years after project completion.

During expanded testing, we also noted that, for 1 of 7 sample selections tested, the DWSRF set the first repayment due date of principal and interest one year from project completion but, due to a typographical error with the construction completion date in the loan agreement, it appeared as if the payment was not due within one year. The DWSRF control to review loan agreements failed to ensure the accuracy of the construction completion date and, as a result, the loan agreement was agreed to and signed by all parties without detection of what appeared to be a noncompliance issue.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

CWSRF

During testing of CWSRF loan repayments, we noted that, for 3 of 25 sample selections tested, the CWSRF set the first repayment due dates of principal and interest to be repaid more than one year after project completion, ranging from 3 to 60 days after one year from project completion. During our expanded testing of the compliance requirement for 5 additional sample selections, we noted no additional noncompliance errors.

Cause:

Ineffective internal control over the review and approval of loan agreements and repayment schedules.

Effect:

DES was not in compliance with requirements due to ineffective internal controls over the DWSRF and CWSRF special tests and provisions requirements.

Questioned Costs:

None.

Recommendation:

DES should establish written policies and procedures, including documented review and approval controls, over loan repayments to ensure that the federal compliance requirements are met. The DWSRF and CWSRF programs should develop procedures to document an agreed upon construction completion date between the program and the assistance recipients prior to the completion of loan agreements. The programs should increase efficiency in the timeliness of processing Supplemental Loan Agreements to better facilitate billing of loan recipients prior to the one year requirement.

Clean Water:

Auditee Corrective Action Plan:

DES concurs. DES will revise existing controls and procedures related to repayment to ensure that the related compliance requirements are met. It should be noted that the three identified loans had initial payment due dates ranging between 10-19 years ago.

Contact Person:

Tracy Wood, Administrator, Wastewater Engineering Bureau

Anticipated Completion Date:

December 31, 2016

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Drinking Water:

Auditee Corrective Action Plan:

DES concurs. DES will revise existing controls and procedures related to repayment to ensure that the related compliance requirements are met. It should be noted that procedures have already been implemented to improve compliance including multiple staff review of all loan documents, monthly meetings with project managers to track project status, project tracking spreadsheets, final disbursement and close out checklists, and the development of cash flow projections that are updated no less than quarterly.

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

December 31, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-053.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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 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:

Financial Data Management: March 31, 2016

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Division of Personnel: June 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-005.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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 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:

QIO contract in place by July 2016.

Case reviews continue to be dependent on maintaining staffing and training of new staff, but should see improvement on case closure by December 2016.

Contact Person:

Tashia Blanchard, OII, Administrator

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-007.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-033.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 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, 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

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-022

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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.

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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:

N/A

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.

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-030.

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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.

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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:

DHHS anticipates having the necessary staff hired by 8/1/16.

Contact Person:

Melissa Clement, Chief, Child Care Licensing Unit

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-014.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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.

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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.

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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

Status as of March 2017:

Partially Resolved. The Office of Improvement and Integrity, Financial Compliance Unit (FCU) has completed the centralization of the Federal Funding and Accountability and Transparency

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Act (FFATA) reporting process, as of July 1, 2014, for the Department of Health and Human Services (DHHS). 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 contract review step in this process.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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:

Complete at this time.

Contact Person:

Mary Calise, Kerry Nelson, Mark Jewell

Status as of March 2017:

Partially resolved. The welfare to Work Bureau Chief e-mailed all staff on January 14, 2016 regarding the audit finding and that all activity hours are to be entered into the New Heights system.

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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 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.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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:

December 2, 2015

Contact Person:

Dolores Cooper

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Effect:

HSEM was not in compliance with Subrecipient Monitoring requirements during the fiscal 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:

The Department of Safety will complete a written policy detailing the above by June 30, 2016.

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-036.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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.

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Cause:

The State misunderstood the TSA agreement as stating that the Draws should be performed "At Least" monthly.

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, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-035.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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.”

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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, 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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 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, 2016

Status as of March 2017:

Partially resolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-038.

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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.

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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.
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.

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Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

N/A

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-039.

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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

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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.

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:

June 30, 2016

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Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-040.

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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

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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.

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

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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:

Fall 2017

Status as of March 2017:

Partially resolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-041.

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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

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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, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-049.

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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.

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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.

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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.

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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.

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- 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

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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:

Financial Data Management: March 31, 2016

Division of Personnel: June 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-005.

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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 testwork over earmarking, we noted that 4 of the 25 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, 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

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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.

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:

The Department will implement changes starting February 21, 2014.

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-022

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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.

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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:

December 2, 2015

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Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-011.

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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.

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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:

The Department of Safety will complete a written policy detailing the above by June 30, 2016.

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-036.

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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).

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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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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. 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, 2014

Status as of March 2017:

Partially resolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-041.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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 2015, 2014, AND 2013

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, 2016

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

Status as of March 2017:

Partially resolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-038.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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 2015, 2014, AND 2013

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:

N/A

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-039.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2015, 2014, AND 2013

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 2015, 2014, AND 2013

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:

June 30, 2016

Status as of March 2017:

Unresolved. A similar finding was identified in the 2016 single audit report. See finding and corrective action plan at 2016-040.

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
1000	Judicial Branch
1200	Adjutant General
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
2700	Employment Security, Department of
3200	Secretary of State
3400	Cultural Resources, Department of
3500	Resources and Economic Development, Department of
4300	Veterans Home
4400	Environmental Services, Department of
4600	Corrections, Department of
5600	Education, Department of
7500	Fish and Game, Department of
7600	Human Rights Commission
8100	Public Utilities Commission
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
1400	Administrative Services, Department of
1800	Agriculture, Markets and Food, Department of
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
2400	Insurance Department
1000	Judicial Branch
2000	Justice, Department of
8100	Public Utilities Commission
3500	Resources and Economic Development, Department of
2300	Safety, Department of
3200	Secretary of State
9600	Transportation, Department of
4300	Veterans Home

State of New Hampshire

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2016 SINGLE AUDIT CORRECTIVE ACTION PLAN - 2 CFR § 200.511(c)

06/30/16

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001 **2016-005** *Ineffective General Information Technology Controls related to the NHFIRST Human Resources/Payroll Lawson System*	From a preventative perspective, it is critical state agencies initiate the transactions necessary for the removal of the elevated access rights of terminated users timely, and in a manner consistent with a central policy and procedure. In order to foster a greater degree of compliance with the policies and procedures prescribed by the Department for initiating the removal of these elevated access rights, the Department has reviewed, improved, clarified and re-communicated these policies and procedures to the State's agencies and departments. However, as the effectiveness of these policies and procedures are dependent upon compliance, the Department has also implemented additional controls to evaluate and monitor such compliance. As instances of non-compliance (untimely initiation of elevated access termination) are detected, investigations will be made and documented to confirm the terminated employee did or did not execute unauthorized transactions during the period of exposure. Whereas the clarified procedures described above have been re-established mid-year during fiscal year 2017, the Department also intends to determine the control deficiency identified in this finding did not allow associated risks to culminate during the first half of fiscal year 2017. Initial compliance monitoring will look back at elevated access terminations initiated during the first half of the year, identify those transactions not initialized timely, and investigate to confirm unauthorized transactions were or were not executed by the terminated employee.	6/30/2017	Steve Giovinelli Department of Administrative Services Federal Grants and Cost Allocation Administrator Steven.Giovinelli@nh.gov Bill Armstrong Department of Administrative Services Financial Data Administrator William.Armstrong@nh.gov Sara Willingham; Department of Administrative Services Director; Division of Personnel Sara.Willingham@nh.gov

State of New Hampshire

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-002 *Insufficient / ineffective management review controls over financial reporting*	During the fiscal year ended June 30, 2016, the Division of Accounting Services, Bureau of Financial Reporting (BFR) made steady progress in its financial reporting responsibilities, as all previously vacant financial reporting staff positions were filled throughout the year. However, the Division continues to be hampered by an overall increase in statutorily required duties without any associated increase in staffing resources to accomplish the workload increase. For the FY18-19 budget currently being developed, the Division has requested three additional financial staff positions to allow the Division to be better equipped to handle required duties and adhere to timelines. Compounding matters during FY 2016 was the continued effects of turnover of financial staff in several state agencies, causing delays in the receipt of critical financial information on which BFR relies. We believe that, while the prescribed timeframes will still be tight, with additional communication and guidance provided to the agencies, BFR will be better able to reestablish the analysis and review necessary to produce accurate financial statements in a timely manner. While the recent resignation of the State Comptroller may delay implementation of initiatives pertaining to oversight and analysis, we have established monitoring tools required for compliance with deadlines, such as an auditee “dashboard” to be shared with agency Commissioners and the Governor’s Office, in order to provide regular audit status updates on pending items. Within BFR as well as with financial staff in other state agencies, we have already begun planning for the preparation of the fiscal year 2017 financial statements and we will, to the best of our ability, work to meet all requirements in fiscal year 2017.	12/31/2017	Dana Call Department of Administrative Services Financial Reporting Administrator Dana.Call@nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-003 *Capital assets accounting and financial reporting is not complete and accurate*	While the Exhibit E initially prepared by the Adjutant General's Department was not in accordance with U.S. GAAP, the department utilized the State's Long-Term Assets Policy and Procedures Manual, specifically, page 3, that reads: "For Construction in Progress Assets, no depreciation is recorded until the asset is placed in service" but did not recognize that the remainder of the State's Policy applied to these transactions, which require capitalization of the asset. The department took corrective action by preparing a revised Exhibit E, as requested by the Department of Administrative Services (DAS), for the fiscal year ended June 30, 2016, and will work with DAS to continue to ensure internal procedures result in reporting that is consistent with U.S. GAAP and State policies. During the fiscal year ended June 30, 2016, the Division of Accounting Services, Bureau of Financial Reporting (BFR) made significant improvements in the oversight of Exhibit E reporting and the related CAFR journal entries. FY16 was the first full year for both the Financial Reporting Administrator and the Accountant responsible for overseeing the Exhibit E preparation by agencies, and we continue to enhance our review procedures as we evaluate areas of risk in financial reporting. Due to the manual nature of the capital asset journal entry preparation, an input error was made and was not detected through BFR's internal review and approval process. Going forward as part of our government-wide entry preparation, BFR will incorporate additional analysis over the summarized Exhibit E reporting, in order to enhance our detection of any manual input errors by either BFR or the agencies preparing the underlying data. BFR will continue to provide outreach to agencies as	09/30/2017	Dana Call Department of Administrative Services Financial Reporting Administrator Dana.Call@nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-003 *continued*	part of our annual fiscal year-end closing process, with additional focus on the proper use of Construction in Progress. In addition, BFR will perform analysis over capital project expenditures throughout the year as an additional monitoring control over agency Exhibit E reporting.		
2016-004 **2016-006** *Ineffective general information technology controls related to the New Heights application*	The Department of Health and Human Services has responded individually to each of the recommendations made as follows: <u>In response to KPMG Recommendation #1 -</u> Overview - New HEIGHTS has an Identity Management (IdM) project. IdM will be integrated with the State of New Hampshire's Human Resources system (LAWSON) which will trigger notification to the Security Administrator for employees being terminated. Security enhancements to HEIGHTS application will be made to interact with Identity Management (IdM) solution which enables operational efficiency, security compliance, and risk management to the Department of Health and Human Services (DHHS). For non-employees it's the role of the Departmental authority who requested access to ensure timely notification to the New HEIGHTS Security Administrator. Additionally, as part of the JIRA tracking enhancement (see recommendation #2) the process will be streamlined to have periodic reviews for non-employee users. As a secondary measure the system does auto-revoke user ID's after 90 days of inactivity. Details – The Change Control Document for the 'Security Enhancements for IdM" project is available for complete details.	4/28/2017	Laurie Snow Department of Health and Human Services New HEIGHTS Project Manager lsnow@dhhs.state.nh.us Pamela Raymond Department of Health and Human Services Business System Analyst Pamela.raymond@dhhs.state.nh.us

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-004 **2016-006** *continued*	• 11/6/2015 – Requirements for Bundle 41473 'Security Enhancements for New HEIGHTS (IdM) were completed • 11/13/2015 – Design completed • 12/11/2015- 9/30/2016 – Construction and unit testing completed • 9/30/2016 – 12/30/2016 – Integration testing began and is currently still in progress • 1/3/2017 – 2/24/2017 – Scheduled for System and Regression Testing • 2/24/2017 Anticipated implementation/production release		
2016-004 **2016-006** *(Continued)*	<u>In response to KPMG Recommendation #2 -</u> Overview - New HEIGHTS is in the process of developing a new tool through JIRA to track requests to gain access to the system; level of access; changes to access privileges and terminating access levels/users. Details – The Change Control Document for 'JIRA – Security Request Management' described in the timeline below is attached to provide the full details of the new tracking. • November 15, 2016 a meeting was held to capture the business requirements. • December 19, 2016 a draft Change Control Document (CCD) was released for preview and comments pending the upcoming Review Meeting. • December 20, 2016 the CCD Review meeting is scheduled. • Design, development and integration tested will be completed by January 20, 2017 • User Acceptance Testing is planned from January 20 – February 3, 2017 with production implementation date of February 6, 2017.	4/28/2017	Laurie Snow Department of Health and Human Services New HEIGHTS Project Manager lsnow@dhhs.state.nh.us Pamela Raymond Department of Health and Human Services Business System Analyst Pamela.raymond@dhhs.state.nh.us

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-004 **2016-006** *(Continued)*	In response to KPMG Recommendation #3 - Overview - Due to a minor system issue when attempting to retrieve users due for a review in a given month the result set was incomplete and not capturing any that were overdue. A JIRA ticket was filed (#63386) with the correction moved to production on 8/31/2016. Details - The New HEIGHTS Security Administrator was notified by KPMG that some sample users had not had a review. On 6/28/2016 she completed a JIRA ticket stating the following to have the issue researched with a potential resolution. When selecting individuals that are due a review it only retrieves reviews that are due in the Month/YR. So as a result, if I did not complete a review on someone for a prior month, that individual will never show up again. Need to modify this field to not only select for example reviews that are due in July 2016, but all records that have not had a review done within the pass year. Change the name of the field from Review Due to "Review Current/Pass Due" 7/5/2016 – 8/3/2016: During this time period the issue was prioritized, researched, a code fix was developed and tested in both unit and integration. 8/3/2016 – 8/15/2016: During this time period the fix was tested by the Security Administrator in both the System and Regression region. 8/27/2016 – 8/31/2016: The fix was deployed to production with a post	Completed	Laurie Snow Department of Health and Human Services New HEIGHTS Project Manager lsnow@dhhs.state.nh.us Pamela Raymond Department of Health and Human Services Business System Analyst Pamela.raymond@dhhs.state.nh.us

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-004 **2016-006** *(Continued)*	implementation review ensuring that when pulling reviews under the newly titled field 'Review Pass/Current' due for the month of September 2016 that it also retrieved active users who had not had a review since August 2015.		
2016-004 **2016-006** *(Continued)*	<u>In response to KPMG Recommendation #4 -</u> Overview -New HEIGHTS recognizes that a test should be performed on an annual basis; however, due to a timing issue no disaster recovery was performed during the audit period (July 1, 2015 to June 30, 2016). Details - The below shows when the last test was performed and when the next scheduled test is due to be performed. • Disaster Recovery testing was performed July 19-21, 2016 at Sterling Forest, NY • Upcoming Disaster Recovery test is scheduled for January 2017.	Completed	Laurie Snow Department of Health and Human Services New HEIGHTS Project Manager lsnow@dhhs.state.nh.us Wendy Pouiliot Department of Information Technology Director of Operations Wendy.Pouliot@doit.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-007 *Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services*	The Program Integrity Unit (PI) has had constant turnover in staff and medical leave over the past several years which have been slow to replace due to hiring freezes and shortage of potential employees with the necessary clinical background. There were recently 2 more staff changes with a Nurse reviewer position open since August 2016 and a program specialist position open due to retirement 9/30/2016. PI has been allowed to hire for one of the open positions as of March 2017. One staff person from another area of the Office of Improvement Integrity (OII) is being moved to PI, as an add to staff, to assist with provider enrollment and other standard monitoring required by OII. PI does have written policies and procedures, not only for fee-for-service processes, but for managed care organization oversight as well. The Quality Improvement Organization (QIO) request for proposal went out last summer, all bidders were reviewed, and the contract was awarded, and the contract is with DHHS Contracts and DoIT for review. It is unknown at this time when this contract will go before G&C for approval. It is the intent of the Bureau to work with the contractor to perform the outstanding inpatient reviews from the end of the last contract, to the extent cost recoveries would be allowed. When the position is filled and the contract in place the backlog will begin to be addressed immediately.	06/30/2018	Tashia Blanchard Department of Health and Human Services Administrator; Bureau of Improvement and Integrity Tashia.blanchard@dhhs.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-008 *Cash Management-Noncompliance with the Treasury State Agreement*	The Department concurs communication about changes to Treasury State Agreement (TSA) as well as other changes made to the CMIA module of NH First could be communicated more effectively. These draws that are outside of the TSA clearance pattern are not the result of staff error since the clearance pattern is based off of the QP01 screen, which they cannot update. The reports that populated CMIA from July 1, 2015-October 2, 2015 were run the day after the expense was incurred and provided that the threshold was met, this caused the draw of cash. Once the change was made by Financial Data Management on October 2, 2015 where the reports are now run the same day as the expense, the clearance pattern should be compliant.	Completed	Mary Calise Department of Health and Human Services Office of the Commissioner; Financial Reporting Administrator II Mary.Calise@dhhs.nh.gov
2016-009 *Lack of Formal Review over the Report of Controls at a Service Organization for Medicaid Care Management*	Staffing and organizational changes last year provided opportunities to enhance Medicaid Care Management (MCM) program operations, including related financial management practices. These changes as well as recent receipt of SOC-1 reports provide unique opportunities to engage in dialog with our business partners to identify and implement process improvements to enhance complementary user controls as follows: • SOC-1 reports review with business partners including: o Eligibility management o Benefits management o Claims processing, adjustments, and payment o Provider enrollment o Management information system physical and logical access controls o Change management o Computer operations, including backup and storage,	09/01/2017	Valerie Brown Department of Health and Human Services Medicaid Deputy Commissioner valerie.brown@dhhs.state.nh.us

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-009 *continued*	environmental security, external interfaces • SOC-1 mitigation, as needed.	Ongoing as needed	
2016-010 *The Department Should Improve their Internal Controls Over and Compliance with the Cash Management Requirements of the WIC Program.*	The Department does concur that the internal controls over compliance with cash management driven by the State's CMIA subsystem need to be strengthened and that internal communication was not adequate. Had the necessary communication taken place the Department would have noticed that Treasury had never updated the CMIA clearance patterns as had been communicated on May 7, 2015 both at July 1, 2015 as well as when the amended 2016 Treasury State Agreement (TSA) was sent out in June of 2016. The Department will update policies around the review of the TSA and the communication of any changes that impact the Department's federal programs.	07/01/2017	Mary Calise Department of Health and Human Services Office of the Commissioner; Financial Reporting Administrator II Mary.Calise@dhhs.nh.gov Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-011 *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.*	The contract was updated and the SOC 1 Type I report has been received. The remaining deliverable is the SOC1 Type II report and is expected prior to the end of the contract or 6/30/2017.	07/01/2017	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov
2016-012 *Lack of Control Over the Review of the Report Used To Determine Compliance with the Special Test – Authorization of Above 50% Vendors*	The process will be formally documented and the supervisor will sign off on the 50% Vendor Analysis form after the review.	06/30/2017	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-013 *Non-compliance with parts of Subrecipient Monitoring and Cash Management Requirements:* ***1*** *No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not formally evaluated,* ***2*** *Payments made to subrecipients did not contain all of the required information, and* ***3*** *The Department did not establish*	1) We concur with the finding. The Division will request the process for the Risk analysis be evaluated for compliance with the Uniform Guidance. 2) The Division has initiated new payment processes to include the necessary information on payments. 3) Payment policies will be reviewed and updated for compliance with the Uniform Guidance.	07/01/2017	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-013 *continued* *procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.*			
2016-014 *Noncompliance with components of the Health and Safety Special Test*	The following corrective action plan addresses each issue identified within this finding as follows:		

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-014 *Continued* ***1*** *Controls over and Compliance with the Health and Safety federal requirements need to be strengthened.* ***2*** *Controls over the annual monitoring visits to ensure providers are meeting the Health and Safety requirements need to be strengthened.* ***3*** *Controls over re-licensing visits did not operate effectively, and*	**Finding Elements # 1-3:** In 2016, the Department was able to complete 94% of its required annual visits. The Department hired one additional licensing inspector in January 2017, and anticipates the hiring of another licensing inspector soon. Although the finding was partially characterized as a "lack of a schedule and procedures in place to ensure proper monitoring is taking place," the Department does not concur with that assessment. The Department utilizes a monitoring report that indicates which programs have yet to receive an annual visit, and prioritizes visits accordingly. Inspectors are assigned their own areas to cover and they use the report in their planning. Inspectors and their supervisors routinely review this report to determine when visits may need to be assigned to others to ensure all programs receive an annual visit, while also ensuring complaints are investigated quickly. This process will continue. The chief and the supervisors will meet monthly to review the monitoring report to identify and address scheduling concerns.	06/30/2018	Melissa Clement Department of Health and Human Services Chief; Child Care Licensing Unit melissa.clement@dhhs.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-014 *Continued* *provider annual visits not performed.* ***4*** *Re-licensing visits not reviewed by supervisor prior to the provider license renewed.*	**Finding Element # 4:** The Department had recently changed its procedures regarding supervisory review of findings by no longer requiring a review if no critical violations were found. As a result, 7 renewal inspections which resulted in no critical findings did not have supervisory review before being issued. That procedure has since changed and all renewal inspections will be reviewed by a supervisor before a renewed license is issued. This review will be noted on the site visit report and/or the online database with the name of the supervisor and the date reviewed.	Completed	Melissa Clement Department of Health and Human Services Chief; Child Care Licensing Unit melissa.clement@dhhs.nh.gov
5 *Provider immunizations are not required for licensing, as required by the CCDF State Plan.*	**Finding Element # 5:** The Department acknowledges that the CCDF State Plan did have a requirement for providers to have immunizations. However this was mistakenly reported as a requirement, and is not in the current State Plan, as providers are not required to have immunizations.	Completed	Melissa Clement Department of Health and Human Services Chief; Child Care Licensing Unit melissa.clement@dhhs.nh.gov
6 *Two Provider Agreements were missing.*	**Finding Element #6:** The Department has controls in place to ensure that provider agreements are included in the file at enrollment and updated every 3 years at re-enrollment. However, it is unknown why these controls failed in these	09/01/2017	Melissa Clement Department of Health and Human Services Chief; Child Care Licensing Unit melissa.clement@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-014 *Continued*	two cases. The Child Development Bureau acting Enrollment Specialist has a checklist in each provider's file that is completed prior to enrollment or re-enrollment. The checklist is updated manually when documents are received by placing a check mark next or the date the document was received next to the name of the document received. Documents are immediately placed in the file. The file is placed in the file drawer at the desk of the Enrollment Specialist until all documents are received and enrollment or re-enrollment is complete. The file is placed in the file cabinet at that time as an open, enrolled provider. The Child Development Bureau will add a signature line to the checklist to be signed verifying that the Enrollment Specialist has reviewed the list and the file again prior to enrollment and re-enrollment and that all documents are present. This will create more accountability in ensuring that all forms have been received and placed in the file before completing the provider's enrollment or re-enrollment and placing the file in the file cabinet. Currently, Child Development Bureau staff are checking each file for completeness whenever any action is taken with a file. The Child Development Bureau will institute a random audit of 10 out of approximately 1,100 total provider files per month, of both licensed and		

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-014 *Continued*	license-exempt providers, to ensure that all required forms are in the file. This will be in addition to the checks and double checks that will be done to complete the enrollment or reenrollment process of providers each month. Approximately 75% of enrolled providers are licensed; 7 files of licensed providers will be checked and 3 files of license exempt providers will be checked. If the monthly error rate in any given month exceeds two files with one or more missing documents, the following month will check 20 files, until three consecutive months with no more than two files with missing documents are achieved. For any file found to be missing documents, the provider will be contacted and required to submit the documents. For any month where there are two or more files with missing documents, this shall be reported in writing to the Child Development Bureau (CDB) Administrator to assess the need for additional systemic changes to be made to reduce the number of errors.		
2016-015 *No Controls over the Period of Performance Requirements. Discretionary Funds are not Obligated by the End of the Succeeding Fiscal Year After Award, as is Required.*	The Department concurs that of the $693,161 of unobligated FY 2014 Discretionary funds $460,894 of the funds were incurred against unobligated expenditures and that $232,267 of the expenditures were incurred from contractual obligations. The Department will review the policies and procedures in place over the period of performance of federal awards to identify risks and internal control deficiencies. The Department will then take action to revise the policies and procedures as necessary to incorporate sufficient internal control to provide reasonable assurance of future compliance.	06/30/2017	Mary Calise Department of Health and Human Services Office of the Commissioner; Financial Reporting Administrator II Mary.Calise@dhhs.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-016 *Incentive Payments to Providers Were Not Approved by the Federal Government.*	The Department will review the State Plan prior to the issuance of any future payments that are not part of regular business to determine if they are allowable expenses described in the Plan. If not, the Department will contact the Regional Office of Child Care to determine if they are allowable expenses, and if so, under what circumstances. If it is determined that the payments are not allowable under CCDF regulations, the department will not proceed with issuing the payment. If it is determined that the payments are allowable under CCDF regulation, the department will work with the Regional Office of Child Care to determine appropriate controls to be put in place to monitor acceptable and appropriate use of the funds. The State Plan will be amended as appropriate.	Complete	Kristin Booth, Department of Health and Human Services Administrator; Child Development Bureau kristin.booth@dhhs.nh.gov
2016-017 *Cash Drawdowns are not in Compliance with the Matching Requirements for the Matching Funds.*	Federal regulations do not specify the period over which the amount of Federal funds drawn down should not exceed 50% of the total expenditures in order to comply with the matching requirements of the program. The Department has defined this period as quarterly. At the close of the quarter any cash drawn for the matching program is compared to the allowable federal share of the expenses incurred and if cash is owed to the Department it is drawn; if cash is owed to the Federal program it is returned. This process has been in place for several years. However, the Department acknowledges this quarterly cycle should be re-evaluated to determine its adequacy in complying with the requirement not to “arbitrarily assign its earliest costs to the Federal government” or	06/30/2017	Mary Calise Department of Health and Human Services Office of the Commissioner; Financial Reporting Administrator II Mary.Calise@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-017 *continued*	drawing "Federal funds in advance and/or in excess of the required proportion of agreed upon levels of State contributions in programs utilizing mandatory matching of Federal funds with State funds". Accordingly, the Department will review the alignment of its current practices against the matching and cash management requirements of the program to improve compliance.		
2016-018 *In-Kind Contributions Were Used to Meet the Required Federal Match. Controls Over Adjustments to Record the Match Are Not Operating Effectively.*	The Division for Children Youth and Families (DCYF) will ensure the DCYF Training Contracts manager and the Office of Finance payment of invoices will know the amount of contractor match allowed per contract per contract period and track how much contractor match has been expended. Once the entire contractor match has been expended, state general funds will be used for that portion of the DCYF Training contracts.	03/31/2017	Rebecca Lorden Department of Health and Human Services Administrator III Rebecca.Lorden@DHHS.NH.GOV

State of New Hampshire

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-019 *Maintenance payment rates are not reviewed annually, and have not been changed for several years. The Title IV-E plan does not document the Federally required periodic review.*	As noted by KPMG the Department's ACF approved plan does not provide procedures or requirements related to the required periodic review. The Department has been prohibited by language contained in House Bill 2 (HB2), for the last several biennia, from increasing rates. Consultation with the Division's attorney resulted in the following being provided: *HB2 the "trailer bill" is statutory law and like any other statute can suspend, limit or repeal existing statutes or rules. In fact there's a Supreme Court case with a holding to that effect, Warburton v. Thomas, 136 N.H. 383 (1992).* *Both the SFY 14-15 and SFY 16-17 iterations of HB2 provide that "**Notwithstanding any provision of law or administrative rule to the contrary**… " provider rates for the respective bienniums "shall be no greater than the rates in effect for the particular service, placement or program…" as of the end of the previous biennium. I think this language effectively trumps the rate setting provisions of RSA 170-G:4. The department has and continues to set rates in accordance with the requirements of HB 2.* Based on the legal opinion the Department does not feel it is in violation of RSA 170-G4.	Not Applicable	Mary Calise Department of Health and Human Services Office of the Commissioner; Financial Reporting Administrator II Mary.Calise@dhhs.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-020 *The age ranges indicated on the Foster Home licenses are not adhered to, and there are no controls in place to monitor the age ranges identified on the license.*	This finding is concerned with the stated age ranges on the actual license not matching the age(s) of the child(ren) placed in the home. The age ranges on the physical license were originally intended to capture the age of the child that the applicant desired to serve or adopt in combination with the age range that the home study practitioner recommended as the best age group for the foster family. All foster homes are eligible to care for children from birth to age 21 and this detail was used to guide matching. It is a searchable feature in our SACWIS system and was used when there were more foster families than there were children needing placement. After reviewing this information with the KPMG Auditor we immediately changed all new and renewal licensing to be documented with the age span of 0 to age 21 years old. Due to our current shortage of foster families available for new placement we are often contacting foster parents to serve children outside of their preferred age range. If our recruitment and licensing efforts produce enough available foster families to meet our needs, we will return to adding the preferred and/or recommended ages to the license.	1/13/2017	Kathleen M. Companion Department of Health and Human Services Foster Care Manager Kathleen.Companion@dhhs.nh.gov
2016-021 *Controls over eligibility requirement to perform background checks in other states*	This finding is concerned with the review of the child and abuse registry in states where the applicant has previously resided if they have not resided in NH for the past 5 years. Our Administrative Rule requires 7 years and many of the files did pass this review. Some of the foster files reviewed were older licensed families prior to the time that this became routine in practice. Two of the files involved families who were licensed foster homes in the state they previously resided in prior to moving to NH	06/30/2017	Kathleen M. Companion Department of Health and Human Services Foster Care Manager Kathleen.Companion@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-021 *Continued* *should be strengthened. The Provider application does not inquire of the other States, a prospective foster or adoptive parent and any other adult living in the home, have resided in the preceding 5 years.*	and the "practice" at the time was to accept that their records had already been cleared by the previous state as evidenced by their license. The other files that were out of compliance was a result of not following best practice guidelines. Our new home study practice has better captured this information and suggested changes will be made to our documentation. NH DCYF began using the SAFE home study process in January of 2016. This is a much more detailed an evidence based home study process which does ask applicants to identify how long they have lived in their current residence and where else they have lived as part of the home study format (sections on Home and Community and Applicant History). New studies consistently capture this information in the document. Some of the foster files reviewed were long term foster homes licensed before the practice of obtaining child abuse and central registry checks from other states was implemented into practice. Going forward, revisions are being made to the application document to capture specific information on residency to ensure that attempts are made to check prior states of residency if the applicant has not resided in the State of New Hampshire for the past 7 years. When the request is refused by the other state, documentation of the refusal to release their state registry information will be maintained in the licensing file.		

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-022 *Noncompliance with Earmarking Requirements*	The Department concurs. The program area is implementing additional processes/requirements where the subrecipient will be required to submit documentation of the eligible families being invoiced.	7/1/2017	Rebecca Lorden Department of Health and Human Services Administrator III Rebecca.Lorden@DHHS.NH.GOV
2016-023 *Noncompliance with Federal Reporting Requirements*	The Department concurs that the federal reporting procedures should be strengthened. A checklist has been developed that will aid in ensuring that the correct reports are filed for the correct grant years.	04/01/2017	Mary Calise Department of Health and Human Services Office of the Commissioner; Financial Reporting Administrator II Mary.Calise@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-024 *Programmatic Subrecipient Monitoring not performed and inaccurate identification of subrecipients*	The Department concurs that subrecipient monitoring procedures need to be strengthened. The Department will, over the next several months, put procedures in place that will bring the Department current with the UG requirements in subsequent years.	09/30/2017	Mary Calise Department of Health and Human Services Office of the Commissioner; Financial Reporting Administrator II Mary.Calise@dhhs.nh.gov
2016-025 *The Department of Health and Human Services (DHHS or Department) should improve its internal controls over the Matching and Maintenance of Effort (MOE) requirement and comply with the MOE requirements.*	The department does not concur with the finding that the State of NH did not meet the MOE requirement during the year. During the review of the MOE analysis, an error in the prior year expenses reported was revealed. This error increased the funds included in the MOE calculation. The final MOE analysis shows the MOE to be met for the year reviewed during the audit. Processes have been reviewed and work papers updated to include greater review of the FFR's before the reports are signed.	03/01/2017	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-026 *Noncompliance with components of the Subrecipient Monitoring and Cash Management Requirements* ***1*** *No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not evaluated,* ***2*** *Programmatic Monitoring of subrecipient activities needs improvement,* ***3*** *Payments made*	The following corrective action plan addresses each issue identified within this finding as follows: #1- #2 - The Department will review current practices of Risk analysis and make changes necessary to meet the requirements of the Uniform Guidance. #3 – Payments to sub recipients did not include federal grant detail. The Division has implemented updated payment coding instructions to meet	06/30/2018	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-026 *continued* *to subrecipients did not contain the required information,* ***4*** *The Department did not establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.*	this requirement. #4 – The Divisions does not currently calculate the transfer of funds from the sub recipient. Current written procedures state payments are made based on actual paid invoices. The Department will review the process and procedures and implement changes where necessary.		

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-027 ***Finding:*** *Noncompliance with components of Subrecipient Monitoring and Cash Management* ***1*** *No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not evaluated,* ***2*** *Financial and Programmatic Monitoring of subrecipient activities did not exist,* ***3*** *Federal*	The following corrective action plan addresses each issue identified within this finding as follows: #1- #3 - We do currently have some controls in place to do sub recipient monitoring. However, we do agree they could be improved. The Department will review current practices and make improvements where necessary to meet the requirements of the Uniform Guidance.	06/30/2018	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-027 *continued* *Clearinghouse was not checked to ensure subrecipient audits were filed within the required timeframe,* ***4*** *Payments made to subrecipients did not contain the required information,* ***5*** *The Department did not establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer*	#4 – We have initiated updated payment instructions to include further information on the payments processed. #5 – The Division does not currently calculate the transfer of funds from the sub recipient. Current written procedures state payments are made based on actual paid invoices. The Department will review the process and procedures and implement changes where necessary.		

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-027 *continued* *of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.*			
2016-028 *The Department of Health and Human Services (DHHS or Department) should improve its internal controls over and comply with the Maintenance of Effort requirements.*	The department does concur in part with the finding. The MOE for the Preventive Health Block Grant is monitored regularly. However, the process will be formally documented. The inability to hire staff has resulted in the reduction of general fund spending used to meet the MOE for this grant period, not lack of controls.	07/01/2017	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov
2016-029 *Controls need to be strengthen over*	The department concurs with the finding. The invoice in question was coded correctly by the programs contract manager; however, the invoice was not actually signed by the program contract manager. This was an	07/01/2017	Dolores Cooper Department of Health and Human Services Administrator III

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-029 *continued authorization of costs. Overtime charged to the grant but not approved as required by the grant award.*	oversight of the employee. Additional staff training around coding will emphasize the signing of invoices. The FFR was revised to correct the error as soon as the auditor identified this error with the overtime charge to the PHEP grant. Financial oversight will be reviewed and controls will be set up to prevent these types of errors in the future.		Dolores.cooper@dhhs.nh.gov
2016-030 *The Department of Health and Human Services (DHHS) should improve its internal controls over and comply with the Earmarking Requirements.*	The department does not concur with the finding. The prior two years findings have been appealed. CDC did respond initially in agreement with the first KPMG finding. However, the State of NH has appealed this decision and has requested reconsideration based on correspondence with CDC employees during the grant years with these findings. CDC has not made a decision on the appeal. In response to the current year finding (2016) we offer the following response. The State of New Hampshire is not required to spend all of the awarded funds. The CDC notice of grant award reads; the state must "award 75% of the CRI award, to the CRI jurisdictions to support Medical Countermeasure Dispensing and the Medicaid Material Management and Distribution (MCMDD) capabilities". The grant year final report shows we have spent 79% of the CRI awarded, to the CRI jurisdictions for MCMDD. To further clarify, the CRI jurisdictions were awarded 86% of the total CRI award. Therefore, based on the CDC requirement the state "award 75%" of the award, we met the CRI requirement by awarding 86% to the CRI jurisdictions.	Not Applicable	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-031 *The Department should improve its internal controls over and compliance with equipment inventory requirements.*	A meeting was held in May 2016 with DoIT, DHHS OIT, DHHS Finance, DAS Finance(FDM) and Facilities Maintenance Unit (FMU). The first thought was to utilize the existing Lawson Enterprise software, but during discussion it was found that the inventory module in Lawson was not configured in a way that would allow asset inventory to be done on that software. We then discussed other alternatives and came up with 2 options, 1. Purchase an asset inventory based software and 2. Utilize an asset based software that DOT was using. It was determined that we would be best served, because of budget and timing, by evaluating the software that DOT was presently using for use by the department and that DoIT and OIT would be looking into this further, reviewing what DOT has, looking at capabilities and ease of migrating information. OIT was supposed to set up further meetings and evaluations. At this point there has been no additional movement, from what I know, on moving forward with any inventory software.	06/30/2018	David Clapp Department of Health and Human Services NH Hospital; Director of Finance and Support Operations david.clapp@dhhs.nh.gov
2016-032 *The Department should improve internal controls over and compliance with reporting of the SF-425 annual report*	The department concurs. An error was found in the calculation of the FFR total claim for the PHEP grant during the review of the MOE calculation. Once the error was caught by staff, the FFR was revised. Processes will be reviewed and further review criteria will be initiated to verify the reports.	03/31/2017	Dolores Cooper Department of Health and Human Services Administrator III Dolores.cooper@dhhs.nh.gov

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2016-033 *Allocated payroll costs not approved or fully supported*	DHHS will be setting up a spreadsheet for the Unclassified leave time sheets to be checked each month. If one is missing an email will be sent to the Employee to send it in.	04/01/2017	Betty Hughes Department of Health and Human Services Payroll Supervisor elizabeth.hughes@dhhs.nh.gov
2016-034 *Direct payroll costs not approved appropriately or fully supported*	The Department concurs. Currently payroll processing is undergoing a LEAN review. Timecards approved by someone other than the Direct Supervisor or Proxy are to be followed up by an email from the Direct Supervisor that the hours worked are accurate.	09/30/2017	Betty Hughes Department of Health and Human Services Payroll Supervisor elizabeth.hughes@dhhs.nh.gov
2016-035 *The Department Should Improve their Internal Controls Over and Compliance with the Cash Management Requirements of the Public Assistance Program.*	HSEM will work with the Department of Administrative Services (DAS) and the Treasury to verify current practices align with those prescribed in both the current TSA and the TSA being submitted for the upcoming fiscal year. In instances where current practice differs from the prescribed methods, appropriate actions will be taken to amend the TSA(s) and/or realign current practices as needed to achieve compliance.	06/30/2017	Matthew Hotchkiss Department of Safety Administrator II ; Homeland Security and Emergency Management matthew.hotchkiss@dos.nh.gov
2016-036 *The Department Should Improve their Internal*	HSEM conducts risk assessment for all subrecipients to determine the level of subrecipient monitoring required, however, these assessments were not consistently documented during the audit period. In April 2016 HSEM adopted a Subrecipient Monitoring Policy requiring a risk	06/30/2017	Fallon Reed Department of Safety Administrator I; Homeland Security and Emergency Management

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-036 *continued* *Controls Over and Compliance with Federal Subrecipient Monitoring Requirements*	assessment for each Subrecipient be completed and formally documented on a Subrecipient Risk Assessment form. Factors identified for consideration include audit findings, change in subrecipient staffing, prior experience, grant award amount, and program complexity. HSEM will update its award letter templates to include the award name and CFDA# to ensure that the recipient is aware of the specific source of the funds being received.		fallon.reed@dos.nh.gov
2016-037 *The Department Should Make a Timely and Accurate Accounting to FEMA of Eligible Costs of Large Projects.*	HSEM tracks all Public Assistance Large Project grants including the original grant award and cumulative allowable costs that were submitted by subrecipients for reimbursement. HSEM reviews all support for reimbursement submitted by subrecipients to ensure that costs were incurred for eligible work associated with the original project award. On a quarterly basis, HSEM submits a Quarterly Progress Report for FEMA Public Assistance Programs detailing eligible expenditures, federal obligations, expenditures to date and federal cash draws to date. Submission of this report to FEMA certifies that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions. During FY16 the Qtly report was submitted timely for 3 of 4 quarters. HSEM has added this reporting requirement to its calendar with reminders scheduled three weeks prior to the due date to ensure that	06/30/2017	Fallon Reed Department of Safety Administrator I; Homeland Security and Emergency Management fallon.reed@dos.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-037 *continued*	future reporting deadlines are met.		
2016-038 *Internal controls and compliance over the subrecipient monitoring requirements should be improved*	The Department does perform elements of sub-recipient monitoring and maintains close project involvement throughout the performance of sub-awards to ensure program objectives are met, and requires periodic cost reports/invoices as well as performance reports. We have worked to better document monitoring, but agree that overall monitoring controls and documentation must be improved to fully comply with 2 CFR 200. We will finalize improved processes to include a formal risk assessment of subrecipients, better tracking of contracts and monitoring elements, and review and follow up as needed of subrecipient annual audit reports. In addition, we will formalize these procedures by finishing a grants policy and procedures manual.	06/30/2017	Randy Curtis Department of Fish and Game Federal Aid Administrator randy.curtis@wildlife.nh.gov
2016-039 *Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting*	First it should be clarified, when the Department chose to use the QuickBooks accounting software, over 15 years ago, the NHFIRST system was not in place and the grants module of the NHFIRST system has only recently been implemented. That being said, the Department does recognize that we must take the appropriate steps necessary to implement the grants module of NHFIRST. This will alleviate several issues; it will provide us the ability to reconcile SEFA expenditures with NHFIRST, hopefully eliminating future findings, and also eliminate some of the manual manipulation required of the QuickBooks system. It is our understanding there are other agencies now utilizing the NHFIRST grants module. We will contact the Federal Grants and Cost	06/30/2017	Kathy LaBonte Department of Fish and Game Administrator III kathy.labonte@wildlife.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-039 *continued*	Allocation Administrator at the Department of Administrative Services to obtain information regarding the use of NHFIRST at other state agencies and request meetings to view how the other agencies are utilizing the NHFIRST system for grant accounting. We would then meet in house to determine how we could incorporate our needs for grant reporting and the changes necessary to modify our current processes. It is important to note that we as an agency do wish to move ahead with this endeavor but we must be able to satisfy not only our grant reporting needs but also the needs of the very limited available resources we have to accomplish this task.		
2016-040 *Incomplete equipment inventory count*	We concur with the finding. While there were inventory count sheets not completed, this was specific to one division and will be addressed by the Chief of the Business Division to the Chief of the division this is applicable to. It should not happen again. As we had explained during the audit test work, oftentimes equipment is loaned to other divisions apart from the division it is assigned to. During the test work, four pieces of equipment had been loaned to other divisions and were therefore not in the place assigned in our equipment inventory database. This often occurs within the department if we can use equipment that is available. There is no realistic way to conduct our department inventory count of $11,000,000 in one day. We have however implemented a 'floor to sheet" procedure using an access database printout of our inventory. Each division is provided their respective list and for any items not listed but discovered during the taking of inventory, they are to be put on their list. We are currently in the process of updating the condition of inventory	06/30/2017	Kathy LaBonte Department of Fish and Game Administrator III kathy.labonte@wildlife.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-040 *continued*	within our inventory system. Beginning with the current year's inventory (2017), a column has been added to our inventory sheets allowing the current condition of the item to be noted. The condition of the item will be updated, if needed, when inputting current year inventory data.		
2016-041 *Controls over Federal Reporting Procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements.*	New Hampshire does continue to work diligently to correct reporting inconsistencies and secured special SBR funding for a dedicated reports and data validation project. This project is finally underway. It was delayed until the Claims Rewrite project was completed. The new claim applications and process went into production in August 2016 and resources continued to be devoted to monitoring it and addressing minor bugs through October 2016. Meetings are ongoing with stakeholders and subject matter experts and the design of the new functions for weekly detailed reports and on-demand snapshot detailed reports has been agreed upon. These reports are a giant step to being able to address issues in a timely manner. Many improvements have already been realized in the Populations for the ETA 227 based on continued review, implementation of case management systems for Benefit Payment Control (InvestiCase) and Collections (CollectiCase), several technological adjustments to the reporting, and the correction of human errors being made that all impacted the outcome of the ETA 227 and DV. Population 12 OP by Cause: 2013 failed 100% of random samples and failed 7 of 8 categories in report validation area. 2016 failed 26.67% of random samples and passed all 8 categories in report validation area. An improvement of 73.33% and 100% respectively. Population 13 OP Reconciliation: 2014 failed 60% of random samples	12/31/2017	Diane Carpenter Department of Employment Security Unemployment Compensation Bureau Director dianne.m.carpenter@nhes.nh.gov Colleen O'Neill Department of Employment Security Assistant to the Commissioner colleen.s.o'neill@nhes.nh.gov

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2016-041 *continued*	(an improvement over 100% failure in 2012 and 2013) and failed all 5 categories in report validation area. 2016 failed 4% of random samples and passed 2 of 5 categories in report validation area. An improvement of 96% and 40% respectively. Population 14 Age of OP: 2013 failed 100% of random samples and failed all 4 categories in report validation area. 2016 passed random samples with 0% errors and passed 1 of 4 categories in report validation area. An improvement of 100% and 25% respectively. Population 15 OP by Method: 2013 failed 100% of random samples and failed 2 of 3 categories in report validation area. 2016 failed 36.67% of random samples and passed all 3 categories in report validation area. An improvement of 63.33% and 100% respectively. This project is expected to address the remaining deficiencies in Populations 12 through 15, those that validate that overpayment reporting is correct.		
2016-042 *Controls over claimants being registered for work in the "Job Match System," need to be strengthened to ensure compliance with State*	The Department is aware that all information needed to create a resume is not transferring from the NHUIS system to the job match system and have been working to correct it. We have been working with the vendors to identify the reason and fix the interface. The job match system vendor has released an updated version and New Hampshire will be converting soon. No corrections to the interface can be completed until the new version is installed. Conversion is pending the purchase and installation of servers to support the upgrade. In the meantime, we receive a daily report of those registrations that do not transfer over and staff works with	09/30/2017	Pamela Szacik Department of Employment Security Director, Employment Service Bureau pamela.r.szacik@nhes.nh.gov

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-042 *continued* *Eligibility Requirements*	the claimants to register and create a resume. Verifying that each claimant has an active registration and resume in the job match system is a manual process. Based on current staffing, manually checking 4000 claimant registrations weekly is not feasible. Claimants are selected for the Reemployment Services and Eligibility Assessment (RESEA) Program weekly. The grant allows the department to select from a pool of all claimants that are required to search for work. Selections are made based on staffing and their current caseloads. These claimants receive intensive services including a review of their job match system registration and resume. Claimants not selected for RESEA are not seen 1-on-1 unless they are referred for services or request services. Otherwise, they are self-service customers. Once claimants complete the required visits for RESEA they are also considered self-service claimants unless they request assistance which will be provided based on staff availability. Claimants are told in the Benefits Rights Interview group workshop that they must have an active registration and resume. It is also discussed at the first Eligibility Review group workshop. However, we are unable to stop payment of benefits until they have received a written warning that if they are not registered, their benefits could be in jeopardy. The Department will work to improve the number of registrations and resumes reviewed on a regular basis. Additional federal funds were received to improve the interface and information being transferred from		

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2016-042 *continued*	NHUIS to the job match system. We will continue to work with the vendors to ensure that the interface is working properly. We will look at ad hoc reporting in the job match system to identify those claimants whose resumes and registrations are expiring and identify a way with current staffing to contact those claimants. Upon conversion to the latest version of the job match system, we will determine how to identify and notify claimants to update their resumes and registrations.		
2016-043 *Formal Procedures Over Recalculation of Employer Experience Rates Should Be Established.*	A formal Policy Memo was issued on March 3, 2017 documenting the process in place, which is in addition to the USDOL mandated TPS review of the same data. The annual TPS review includes validation of the accuracy of the experience rating and all 60 cases pulled in the last review passed. Per the reviewer, "This review established a reasonable assurance of quality regarding the determination of employer tax rates. The Merit Rating and Employer Tax Accounting units have maintained well-documented charges and taxable wage data. The rates were accurately calculated, correctly posted, and employers were notified timely. The Acceptance Sample confirmed that the automated annual rate process accurately compiles taxable wages and benefit charges for use in computing accurate annual tax rates."	03/03/2017	Diane Carpenter Department of Employment Security Unemployment Compensation Bureau Director dianne.m.carpenter@nhes.nh.gov
2016-044 *Special test completion guidelines were not followed.*	The Agency has implemented a new case management system (as of 7/2015) that provides staff with an activity reminder as cases approach the federal timeline for development of an individualized plan for employment (IPE). Over the past year and a half since implementation there have been a number of trainings for staff on how to effectively utilize the system in the management of cases, including the need to routinely review and act on system reminders. In addition a weekly	06/30/2017	Lisa Hinson-Hatz Department of Education Accounting Technician lisa.hatz@doe.nh.gov Sharon DeAngelis Department of Education

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-044 *continued*	report is generated by the administrative office that is disseminated to each regional office supervisor that identifies cases that are approaching the time standard. The regional office supervisor then works with the counselor of the case on the list to assure that a plan in developed or an extension is created. If there is outstanding information needed to develop a plan – for example the customer is still involved in career exploration activities to identify the services that need to be included on the plan- the counselor contacts the customer to discuss next steps, including the provision of an extension. If the customer agrees to the extension the form is completed and signed by the counselor and the customer if they are meeting at that time. If the conversation and agreement happens by phone or email, the form is generated and sent to the customer for signature, a copy is retained in the file. Unfortunately, customers do not always sign and return these forms and it is not always feasible for a customer to travel to an office simply to sign a form and requesting that they do so may impact them negatively in terms of time and travel costs. The Agency will continue to institute case management controls and procedures to monitor customer IPE completion status. This includes system reminders of impending time frames and the generation of weekly reporting of cases approaching the timeline to the regional supervisory staff. Additional training will be provided to staff on the use of the system reminders. Regional office supervisors will be asked to periodically review cases in extension to determine if documentation exists that the customer was involved in the extension decision. Counselors will be encouraged to include the extension conversation during in person		Business Administrator II sharon.deangelis@doe.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-044 *continued*	meetings with the customer. In those cases where the conversation regarding the extension is not done in person, counselors will be required to attach a cover letter to the extension that verifies the manner the agreement was made, e.g., by phone conversation and any confirming documentation of the agreement, i.e., the email conversation demonstrating the agreement.		
2016-045 *Semi-annual certification supporting salaries and wages was missing*	We have created and implemented a checklist that is used when an employee either resigns or retires to ensure all aspects are finalized before the employee leaves State service. This checklist includes the semi-annual certification. Once the administrative office receives notification that an employee is resigning or retiring, the checklist is sent to the employee's supervisor along with the semi-annual certificate that needs to be completed. As the resignation/retirement date approaches, central office will reach out to the supervisor to ensure the checklist is being utilized and the certification will be completed. VR Resignation Checklist Once you have learned that an employee is retiring or resigning, please be sure to complete the following tasks: Employee Name: _____ Date of Termination: _____ ☐ Submit a copy of the resignation letter to Human Resources. ☐ Notify Central Office of resignation so AWARE access may be terminated. ☐ Return completed Semi-Annual VR Time Certificate to Central Office. ☐ Collect any State property (laptops, cell phones, wires, wireless	Completed	Lisa Hinson-Hatz Department of Education Accounting Technician lisa.hatz@doe.nh.gov Sharon DeAngelis Department of Education Business Administrator II sharon.deangelis@doe.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-045 *continued*	cards, iPads, etc.). ☐ Collect any office keys/terminate key card access. ☐ Collect employee ID badge and return to Human Resources. ☐ Make sure employee's last timecard has been completed and approved.		
2016-046 *Direct program drawdowns not performed in accordance with the Treasury State Agreement*	The Department has now implemented processes and procedures to ensure that federal funds are drawn consistently and accurately in accordance with the federal program requirements In addition, the Department is in the process of working with the State of New Hampshire Treasury to modify our Treasury-State Agreement (TSA) and the CMIA system reflect the same required and approved clearance patterns.	06/30/2017	Tammy Vaillancourt Department of Education Project Director Tammy.Vaillancourt@doe.nh.gov Steve Giovinelli Department of Administrative Services Federal Grants and Cost Allocation Administrator Steven.Giovinelli@nh.gov
2016-047 *Controls Over Emergency Purchases Should Be Improved*	The Home will strengthen procedures for emergency purchases. The Home will ensure that controls are applied consistently and documentation is supplied as the Home's management has requested. All relevant employees will be trained on these procedures.	03/30/2017	Margaret D. LaBrecque Veteran's Home; Commandant peggy.labrecque@nhvh.nh.gov

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2016-048 *Noncompliance with Requirements over Period of Performance for the DWSRF and CWSRF Program*	DES partially concurs. According to 40 CFR §35.3155 (a-b) and §35.3560 (b), EPA is required to make "payments" to the states the earlier of 8 quarters after the grant is awarded or 12 quarters after advices of allowances are issued to the Regions. 40 CFR §35.3560 (a) defines payment as "A State will receive each capitalization grant payment in the form of an increase to the ceiling of funds available through the ACH, made in accordance with a payment schedule negotiated between EPA and the State." The CFRs do not require the states to draw the funds within 8 quarters of the grant award. DES has reached out to EPA for interpretation of this language and will work with EPA to resolve the interpretation of these CFRs.	12/31/2017	Tracy Wood Department of Environmental Services Administrator; Wastewater Engineering Bureau tracy.wood@des.nh.gov Sarah Pillsbury Department of Environmental Services Administrator; Drinking Water and Groundwater Bureau sarah.pillsbury@des.nh.gov
2016-049 *Noncompliance with annual and final Federal Financial Reports (FFR) SF-425 for the DWSRF and CWSRF Programs*	Clean Water Corrective Action Plan: DES agrees that the FY16 FFRs were submitted late. Due to staffing constraints, DES was behind in filing annual FFRs and made a concerted effort over the course of the past year to catch up on filing overdue reports. During FY17, all required FFRs have been submitted timely and accurately. DES has made it a priority to submit all required reports timely. DES concurs that the SF-425 filed for the 2012 CWSRF grant underreported the federal share of expenditures by $249,658. This error was corrected and verified in the subsequent annual report for FY17. DES has not been reporting program income on Federal Financial Reports based on guidance provided by EPA. DES agrees the reports should include all required information and will work with EPA to ensure		Tracy Wood Department of Environmental Services Administrator; Wastewater Engineering Bureau tracy.wood@des.nh.gov Sarah Pillsbury Department of Environmental Services Administrator; Drinking Water and Groundwater Bureau sarah.pillsbury@des.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-049 *continued*	future reports include required information. Drinking Water Corrective Action Plan DES agrees that the FY16 FFRs were submitted late. Due to staffing constraints, DES was behind in filing annual FFRs and made a concerted effort over the course of the past year to catch up on filing overdue reports. During FY17, all required FFRs have been submitted timely and accurately. DES has made it a priority to submit all required reports timely. DES has not been reporting program income on Federal Financial Reports based on guidance provided by EPA. DES agrees the reports should include all required information and will work with EPA to ensure future reports include required information.		
2016-050 *Risk Assessment for Compliance with Subrecipient Monitoring Should be Developed*	DES concurs. While DWSRF currently has risk assessment components in place and performs extensive monitoring throughout the life of a project we understand that a formal risk assessment procedure is required. A formal risk assessment procedure will be developed.	12/31/2017	Sarah Pillsbury Department of Environmental Services Administrator; Drinking Water and Groundwater Bureau sarah.pillsbury@des.nh.gov
2016-051 *Controls over the Matching and Earmarking Requirements for*	Clean Water Corrective Action Plan: DES will improve established earmarking controls by including evidence of reviews prior to drawdowns being performed. Procedures will be modified to include evidence of a review of available balances before drawdown.	12/31/2017	Tracy Wood Department of Environmental Services Administrator; Wastewater Engineering Bureau tracy.wood@des.nh.gov

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2016-051 *continued* *the DWSRF and CWSRF Programs Should Be Strengthened*	Drinking Water Corrective Action Plan DES will improve established earmarking controls by including evidence of reviews prior to drawdowns being performed. Procedures will be modified to include evidence of a review of available balances before drawdown.		Sarah Pillsbury Department of Environmental Services Administrator; Drinking Water and Groundwater Bureau sarah.pillsbury@des.nh.gov
2016-052 *Noncompliance and Control Failure over Monitoring of Subrecipient Audits for the CWSRF and DWSRF Program*	Clean Water Corrective Action Plan: DES concurs. Due to staffing constraints the SRF program was behind in reviewing audit reports. The review section is now fully staffed and catching up on all single audit report reviews and follow-up. SRF will continue to improve upon our monitoring process and efforts. Drinking Water Corrective Action Plan DES concurs. Due to staffing constraints the SRF program was behind in reviewing audit reports. The review section is now fully staffed and catching up on all single audit report reviews and follow-up. SRF will continue to improve upon our monitoring process and efforts.	12/31/2017	Tracy Wood Department of Environmental Services Administrator; Wastewater Engineering Bureau tracy.wood@des.nh.gov Sarah Pillsbury Department of Environmental Services Administrator; Drinking Water and Groundwater Bureau sarah.pillsbury@des.nh.gov
2016-053 *Noncompliance with Setting of Principal and Interest Repayment Due Dates for the CWSRF and*	Clean Water Corrective Action Plan: DES concurs. This was a finding in the FY15 audit report and program staff have been working diligently to address the issue, however, there were some loans that were completed during the interim period before new and updated procedures were fully implemented. The CWSRF identified and implemented improvements to maintain compliance with this requirement. In addition, both Clean Water and Drinking Water have	12/31/2017	Tracy Wood Department of Environmental Services Administrator; Wastewater Engineering Bureau tracy.wood@des.nh.gov

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-053 *continued* *DWSRF Programs*	submitted changes to administrative rules and updated loan documents to clarify procedures and implement a consistent process for setting repayment dates. Drinking Water Corrective Action Plan DES concurs. This was a finding in the FY15 audit report and program staff have been working diligently to address this issue, however, there were some loans that were completed during the interim period before new and updated procedures were fully implemented. DWSRF identified and implemented improvements to help maintain compliance with this requirement. In addition, both Clean Water and Drinking Water have submitted changes to administrative rules and updated loan documents to clarify procedures and implement a consistent process for setting repayment dates.		Sarah Pillsbury Department of Environmental Services Administrator; Drinking Water and Groundwater Bureau sarah.pillsbury@des.nh.gov
2016-054 *Noncompliance with Components of the Subrecipient Monitoring Requirements*	The Department concurs that subrecipient monitoring procedures need to be strengthened. The Department will, over the next several months, put procedures in place that will bring the Department current with the UG requirement in subsequent years.	06/30/2018	Laurie Heath Department of Health and Human Services Bureau of Drug and Alcohol Services Business Administrator laurie.heath@dhhs.state.nh.us
2016-055 *Noncompliance with the Period of Performance and Reporting Requirements*	The Department concurs. Procedures are now in place as of December 31, 2016 to insure that expenditures are monitored more closely and meet the period of performance requirement. In fact, expenditures are being monitored on a monthly basis and reported to DHHS management on a monthly basis.	Completed	Laurie Heath Department of Health and Human Services Bureau of Drug and Alcohol Services Business Administrator laurie.heath@dhhs.state.nh.us