STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE
SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED)

TABLE OF CONTENTS (CONTINUED)

State of New Hampshire

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

CHARLES M. ARLINGHAUS
Commissioner
(603) 271-3201

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

LETTER OF TRANSMITTAL

To The Fiscal Committee Of The General Court:

We hereby submit the annual Single Audit Report of the State of New Hampshire for the year ended June 30, 2018. 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, 2018, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 28, 2019

This report can be accessed online at https://das.nh.gov/accounting/reports.asp

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, 2018

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 2018 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 $7,026,408. 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 high-risk 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 2018, 17 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2018, the State administered 296 federal programs, with total federal expenditures of approximately $2.34 billion. Of those programs, Type A programs/clusters accounted for 92% 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 EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2018

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	2018 EXPENDITURES
Adjutant General	12.400	Military Construction, National Guard	13,135,601	
	12.401	National Guard Military Operations And Maintenance (O&M) Projects	21,033,308	34,168,909
		Other Programs		214,672
		Total Adjutant General		34,383,581
Administrative Services	Various	Child Nutrition Cluster	4,277,485	4,277,485
		Other Programs		3,612,931
		Total Administrative Services		7,890,416
Agriculture		Other Programs		679,384
Business and Economic Affairs		Other Programs		8,937,278
Commission on Disability		Other Programs		112,025
Corrections		Other Programs		40,344
Developmental Disabilities Council		Other Programs		416,405
Education	Various	Child Nutrition Cluster	28,465,883	
	Various	Special Education Cluster	47,244,623	
	84.010	Title I Grants To Local Educational Agencies	42,265,414	
	84.126	Vocational Rehabilitation Grants	12,192,857	
	84.367	Supporting Effective Instruction State Grants	9,576,159	
	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	3,279,942	143,024,878
		Other Programs		39,677,524
		Total Education		182,702,402
Employment Security	17.225	Unemployment Insurance	69,656,605	69,656,605
		Other Programs		5,730,727
		Total Employment Security		75,387,332
Environmental Services	66.458	Clean Water Revolving Fund	20,312,588	
	66.468	Drinking Water Revolving Fund	7,838,875	28,151,463
		Other Programs		13,846,196
		Total Environmental Services		41,997,659
Fish & Game	Various	Fish and Wildlife Cluster	7,713,117	7,713,117
		Other Programs		3,204,657
		Total Fish & Game		10,917,774

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	2018 EXPENDITURES
Health & Human Services	Various	SNAP Cluster	113,606,384	
	Various	Child Care and Development Cluster	23,868,922	
	Various	Medicaid Cluster	1,350,289,796	
	10.557	Supplemental Food Program (WIC)	9,105,185	
	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	4,366,888	
	93.268	Immunization Cooperative Agreements	11,184,945	
	93.558	TANF	39,479,956	
	93.563	Child Support Enforcement	15,485,884	
	93.658	Foster Care - Title IV-E	15,717,384	
	93.667	Social Services Block Grant	7,961,462	
	93.959	Block Grants For Prevention And Treatment Of Substance Abuse	8,740,177	1,599,806,983
		Other Programs		61,222,344
		Total Health & Human Services		1,661,029,327
Human Rights Commission		Other Programs		592,765
Insurance		Other Programs		1,118,359
Judicial Branch		Other Programs		397,552
Justice	Various	Medicaid Cluster	568,049	568,049
		Other Programs		8,942,990
		Total Justice		9,511,039
Natural and Cultural Resources		Other Programs		5,624,827
Public Utilities Commission		Other Programs		803,760
Safety		Other Programs		20,540,038
Secretary of State		Other Programs		508,637
Strategic Initiatives	93.568	Low-Income Home Energy Assistance	28,903,677	28,903,677
		Other Programs		1,768,466
		Total Strategic Initiatives		30,672,143
Transportation	Various	Highway Planning And Construction Cluster	166,067,502	
	20.223	TIFIA	54,768,347	220,835,849
		Other Programs		17,968,127
		Total Transportation		238,803,976
Veterans Home	64.015	Veterans State Nursing Home Care	9,068,971	9,068,971
		TOTAL EXPENDITURES	**2,146,175,986**	**2,342,135,994**

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

Independent Auditors' Report

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, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Liquor Commission and the Lottery Commission, which represent 7.2% and 79.8%, respectively, of the assets and revenues of the business-type activities. 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 12.9% and 13.7%, respectively, of the assets and revenues of the aggregate discretely presented component units. Further, we did not audit the financial statements of the New Hampshire Retirement System, the New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, which represent 98.5% and 80.1%, respectively, of the assets and revenues of the aggregate remaining fund information. Those 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, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(U) to the basic financial statements, in 2018, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information, as listed in the table of contents (collectively referred to as RSI), 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's 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

Boston, MA
December 27, 2018

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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, 2018. 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 as of June 30, 2018 by $1.3 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, ($3.3) 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 decreased by $1,299.1 million, or 50.0%, in fiscal year 2018 as shown in the Comparative Changes in Net Position table within this report, however, the net decrease was largely attributable to the effect of the implementation of GASB Statement No 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as described in Note 1 to the financial statements. After adjusting for the $1,574.9 million restatement of beginning of year net position, the State's total net position increased by $275.8 million, or 27.1%, in fiscal year 2018 from $1,016.1 million (restated) to $1,291.9 million. Also reflected in this table, the State's net position of governmental activities increased by $196.9 million (47.4%), from $(415.2) million (restated) to $(218.3) million in fiscal year 2018. Net position of the business-type activities showed an increase of $78.9 million (5.5%) related to fiscal year 2018 activity, from $1,431.3 million (restated) to $1,510.2 million. Total change in expenses for the period were $75.6 million, or 1.1% higher than fiscal year 2017 and total change in revenues were approximately $300.8 million or 4.3% higher than fiscal year 2017.

Non-Current Liabilities: The State's total non-current liabilities decreased by $694.0 million or 12.9% during the current fiscal year, on a restated basis, and is largely due to the decrease of $69.5 million in the State's aggregate net pension liability as of June 30, 2018 for a total of $1,012.9 million as compared to $1,082.4 million as of June 30, 2017 and a decrease of $616.7 million in the State's aggregate OPEB liability as of June 30, 2018 for a total of $2,197.9 million as compared to $2,814.6 million as of June 30, 2017, as restated. Reported non-current debt, including bonds and notes, decreased a net of $10.3 million or 0.8%, as a result of payments on outstanding debt. In addition, the State issued $70.8 million in new bonds during fiscal year 2018. The State issued an additional $54.8 million of notes payable during fiscal year 2018, related to the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA), as described in Footnote 5 of the Notes to the Basic Financial Statements.

Fund Highlights:

Governmental funds - Fund Balances: As of the close of fiscal year 2018, the State's governmental funds reported a combined balance of all funds of $1,049.0 million, an increase of $146.7 million over the prior year. Within the governmental funds, fund balances for the general fund, highway fund, education fund, and the combined non-major governmental funds increased by $111.5 million, $8.1 million, $20.7 million and $6.4 million, respectively. The increase in the general fund was driven by additional appropriations authorized in house bill 1817 in June 2018, which are classified as either assigned or restricted fund balance as of the end of fiscal year 2018. These include $20 million for the state's red listed bridges and $22 million for additional Medicaid program funding. In addition, fiscal year 2018 ended with an undesignated general fund balance of $74.4 million as compared to $0 million in the previous year. As of June 30, 2018, the $110.0 million of the unassigned fund balance represents the Revenue Stabilization balance, as compared to $100.0 million in fiscal year 2017. Lastly, the education trust fund, which typically operates in a budgetary deficit, ended with a fund balance of $25.4 million as of June 30, 2018, due to the overall increase in unrestricted revenues deposited into the general and education trust funds.

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 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),
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 and 37.

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 Projects Fund and Permanent Funds) are provided in the combining statements found on pages 121 and 122.

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,
- **Private-Purpose Trust Funds** which account for the activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments,
- **Investment Trust Fund** which accounts for the activity of the external investment pool known as the New Hampshire Public Deposit Investment Pool (NHPDIP), 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 information about the Trusted and Non-Trusted Other Post Employment Benefit Plans (OPEB), as required under GASB 75.

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 (governmental and business-type activities) totaled $1.3 billion as of June 30, 2018 which was $275.8 million, or 27.1%, higher than the net position as of June 30, 2017, as restated.

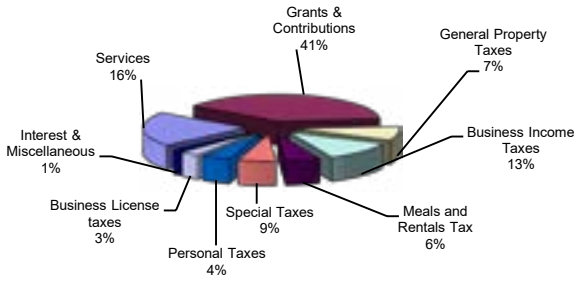
Comparative Net Position as of June 30, 2018 and 2017
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current assets	$1,478,944	$1,607,159	$820,751	$761,019	$2,299,695	$2,368,178
Capital assets	3,152,031	3,045,111	969,005	952,949	4,121,036	3,998,060
Other assets	389,297	153,802	498,841	473,236	888,138	627,038
Total assets	5,020,272	4,806,072	2,288,597	2,187,204	7,308,869	6,993,276
Total deferred outflows of resources	267,098	290,981	16,517	17,292	283,615	308,273
Noncurrent liabilities	4,128,565	3,278,123	570,361	480,800	4,698,926	3,758,923
Current liabilities	733,301	767,889	185,966	141,629	919,267	909,518
Total liabilities	4,861,866	4,046,012	756,327	622,429	5,618,193	4,668,441
Total deferred inflows of resources	643,823	39,900	38,607	2,236	682,430	42,136
Net position:						
Net investment in capital assets	2,315,210	2,265,036	554,745	528,287	2,869,955	2,793,323
Restricted	687,731	429,246	1,054,707	1,018,208	1,742,438	1,447,454
Unrestricted	(3,221,260)	(1,683,141)	(99,272)	33,336	(3,320,532)	(1,649,805)
Total net position	$(218,319)	$1,011,141	$1,510,180	$1,579,831	$1,291,861	$2,590,972

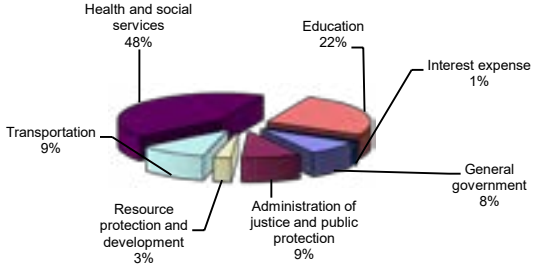
Comparative Changes in Net Position
For Fiscal Years Ended June 30, 2018 and 2017
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	$969,216	$983,336	$1,284,408	$1,238,364	$2,253,624	$2,221,700
Operating grants & contributions	2,267,221	2,164,704	28,456	20,651	2,295,677	2,185,355
Capital grants & contributions	190,813	188,237	104	44	190,917	188,281
General revenues:						
General property taxes	409,085	403,212			409,085	403,212
Business income taxes	774,512	662,400			774,512	662,400
Meals and rentals tax	329,983	315,680			329,983	315,680
Special taxes	567,200	536,998			567,200	536,998
Personal taxes	211,319	218,833			211,319	218,833
Business license taxes	184,886	184,132			184,886	184,132
Interest	21,023	14,600			21,023	14,600
Miscellaneous	53,376	59,570			53,376	59,570
Total revenues	5,978,634	5,731,702	1,312,968	1,259,059	7,291,602	6,990,761
Expenses						
General government	487,323	482,357			487,323	482,357
Administration of justice and public protection	529,684	516,377			529,684	516,377
Resource protection and development	178,862	177,032			178,862	177,032
Transportation	569,332	558,500			569,332	558,500
Health and social services	2,883,850	2,843,514			2,883,850	2,843,514
Education	1,356,013	1,361,946			1,356,013	1,361,946
Interest expense	33,754	33,437			33,754	33,437
Turnpike System			97,530	99,475	97,530	99,475
Liquor Commission			554,195	549,260	554,195	549,260
Lottery Commission			250,510	228,168	250,510	228,168
SRF			17,244	15,457	17,244	15,457
Unemployment Compensation Trust Fund			57,529	74,631	57,529	74,631
Total expenses	6,038,818	5,973,163	977,008	966,991	7,015,826	6,940,154
Increase/ (decrease) in net position before transfers and other items	(60,184)	(241,461)	335,960	292,068	275,776	50,607
Transfers & other items	257,086	229,861	(257,086)	(229,861)		
Increase/ (decrease) in net position	196,902	(11,600)	78,874	62,207	275,776	50,607
Net position - July 1, restated	1,011,141	1,022,741	1,579,831	1,517,624	2,590,972	2,540,365
Cumulative effect of implementation of GASBS 75	(1,426,362)		(148,525)		(1,574,887)	
Net position - June 30	$(218,319)	$1,011,141	$1,510,180	$1,579,831	$1,291,861	$2,590,972

Governmental Activities - Revenues
Fiscal Year Ended June 30, 2018



Governmental Activities - Expenses
Fiscal Year Ended June 30, 2018



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 $76.6 million from prior year. This increase was primarily the result of a net increase in capital assets of $122.9 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, $1,742.4 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 $295.0 million from prior year primarily due to $22 million in additional Medicaid program funding as well as $24.8 million in additional public school infrastructure funding which was appropriated late in fiscal year 2018. An additional increase of $230 million was due to reclassification in the Statement of Net Position of certain fund level restricted balances out of unrestricted net position.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $3,320.5 million which is a decrease of $95.8 million from the deficit of $3,224.7 million (as restated) from the previous year. As noted above, $230 million was reclassified to restricted net position for June 30, 2018, and without this reclassification, the unrestricted deficit net position would have had a positive change from fiscal 2017 to 2018 of approximately $135 million. The two largest components of the deficit are the net pension liability of $1,012.9 million and the other postemployment benefit liability of $2,197.9 million. Net with the increase in assets recognized during the year, non-current liabilities decreased, which positively impacted the deficit unrestricted net position. In addition, the deficit was positively impacted by increased government-wide revenues, as revenues exceeded expenses by $275.8 million in 2018, as compared to $50.6 million in 2017.

Changes in Net Position

The State's total net position increased by $275.8 million, or 27.1%, from current fiscal year activities. Total revenues were $7,291.6 million, an increase of $300.8 million (4.3%) as compared to the prior year, and total reported expenses were $ 7,015.8 million, an increase of $75.6 million (1.1%) as compared to the prior year. The increase in revenues surpassed the increase in expenditures, contributing to a higher increase in net position as compared to the increase in fiscal year 2017.

More than half of the State's revenue (65.0%) is from program revenue, consisting of charges for 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 $144.9 million and general revenues increased $156.0 million over prior year. Program revenues were higher in fiscal year 2018 mainly as a result of additional federal grant funding in the areas of Administration of Justice and Public Protection, Transportation and Health and Social Services. General revenues were higher in fiscal year 2018 directly attributable to business taxes coming in significantly higher than anticipated.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 48% and 22% 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, 2018 Compared to 2017
($ In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	(14.1)	-1.4%	46.0	3.7%	31.9	1.4%
Operating grants & contributions	102.5	4.7%	7.8	37.8%	110.3	5.0%
Capital grants & contributions	2.6	1.4%			2.6	1.4%
General revenues:						
General property taxes	5.9	1.5%			5.9	1.5%
Business income taxes	112.1	16.9%			112.1	16.9%
Meals and rental taxes	14.3	4.5%			14.3	4.5%
Special taxes	30.2	5.6%			30.2	5.6%
Personal taxes	(7.5)	-3.4%			(7.5)	-3.4%
Business license taxes	0.8	0.4%			0.8	0.4%
Interest	6.4	44.0%			6.4	44.0%
Miscellaneous	(6.2)	-10.4%			(6.2)	-10.4%
Total revenues	247.0	4.3%	53.8	4.3%	300.8	4.3%
Expenses						
General government	5.0	1.0%			5.0	1.0%
Administration of justice and public protection	13.3	2.6%			13.3	2.6%
Resource protection and development	1.8	1.0%			1.8	1.0%
Transportation	10.8	1.9%			10.8	1.9%
Health and social services	40.3	1.4%			40.3	1.4%
Education	(5.9)	-0.4%			(5.9)	-0.4%
Interest expense	0.3	0.9%			0.3	0.9%
Turnpike System			(1.9)	-2.0%	(1.9)	-2.0%
Liquor Commission			4.9	0.9%	4.9	0.9%
Lottery Commission			22.3	9.8%	22.3	9.8%
SRF			1.8	11.6%	1.8	11.6%
Unemployment Compensation Trust Fund			(17.1)	-22.9%	(17.1)	-22.9%
Total expenses	65.6	1.1%	10.0	1.0%	75.6	1.1%

Governmental Activities
Governmental activities decreased the State's net position by $60.2 million, before transfers and other items. Revenues increased by $247.0 million or 4.3% from the prior year to total $6.0 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased $91.0 million or 2.7%, while taxes and other revenues increased $156.0 million, or 6.5%. Reported expenses increased $65.6 million or 1.1%. The rise in program revenues was driven largely by an increase in federal grants, with the largest increase relating to federal funding for Medicaid programs, transportation infrastructure and National Guard projects. The increase in general revenues was driven by the significant increase in business tax collections in fiscal year 2018 as compared to 2017, which was a combined result of improved economic conditions within the State, the impact of a statutory reduction of business tax rates and the impact of anomalies in tax payments as a result of the 2017 federal tax reform. The increase in expenses is primarily due to corresponding spending associated with the increase in federal grant revenue.

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 $336.0 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, SRF Fund, Unemployment Compensation Fund, and Turnpike Fund. Operations of the Liquor Commission generated net income before transfers of $156.0 million, an increase of $2.1 million (1.4%) from the prior year. Transfers from the Liquor Commission to the General Fund unrestricted revenue totaled $149.2 million for fiscal year 2018, as compared to $150.4 million in fiscal year 2017, and were used to fund the general operations of the State. Also in fiscal year 2018, $6.8 million in liquor profits were transferred to the State's Alcohol Abuse Prevention and Treatment fund. The Lottery Commission net income before transfers of $87.4 million was an increase of $11.2 million (14.7%) as compared to the prior year. The increase in net income at the Lottery Commission was attributable to higher sales, largely due to big game jackpots, as well as Keno revenue. Additionally, the Turnpike System generated net income before transfers of $42.0 million, up slightly from $37.8 million in the prior year, as a result of a general decrease in operating expenses. The operations of the Unemployment Compensation fund yielded an increase in net position of $10.5 million, which is up from an increase of $5.5 million in the prior year, due to a reduction in benefit payments. The operations of the State Revolving Fund yielded an increase in net position of $26.3 million, up from $18.7 million in the prior year, due to additional federal grant revenue.

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 $146.7 million in fiscal year 2018. A deficiency of revenues under expenditures of $244.5 million was funded by $390.4 million of net transfers from Enterprise Funds and Other Financing Sources, 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, 2018 is $864.4 million, which was an increase of $111.5 over the prior year balance of $752.9 million. Revenues in the general fund were $4,396.7 million, $189.5 million (4.5%) higher than the prior year, with the increase largely in special taxes, as a result of high business tax collections, and federal grants received during fiscal year 2018. Expenditures increased by $183.7 million (4.3%) to $4,462.8 million, which was primarily the result of the increase in Health and Social Services expenditures. Both revenue and expenditures were higher during fiscal year 2018 due to continued increases in health and social services' federally-funded programs, including the New Hampshire Health Protection Program. In addition, transfers out of the general fund to support the education trust fund deficit were lower, from $67.7 million in fiscal year 2017 to $0 in fiscal year 2018. As a result of increased revenues in the general and education trust funds, the education trust fund did not have a deficit and did not require a transfer from the general fund, thus contributing to the increase in fund balance in fiscal year 2018 for both funds.

The June 30, 2018 general fund unassigned fund balance was comprised of an undesignated balance of $74.4 million and the Rainy Day fund amount of $110.0 million, an overall increase of $84.4 million from the prior year (the Rainy Day fund balance as of June 30, 2017 was $100.0 million). Unrestricted revenues in fiscal year 2018 were higher than the planned amount by $133.3 million and were offset by additional 2018 appropriations approved as part of a legislative effort to use some surplus funds to fund deferred infrastructure projects, resulting in a net increase of $74.4 million in undesignated surplus. In addition, legislation authorized an additional $10.0 million of surplus revenues to be transferred to the Rainy Day fund, bringing the balance to $110.0 million of June 30, 2018.

Education Fund
As noted, the education trust fund did not have a deficit balance as of June 30, 2018, but ended with surplus revenues which, per statute, remain in the fund and are classified as assigned fund balance. The remaining fund balance within the education trust fund primarily represents the remaining fiscal year 2018 appropriations available for Charter Schools.

Highway Fund
The highway fund ended the year with a restricted fund balance of $122.7 million and assigned fund balance of $13.9 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, 2018 is

predominantly classified as restricted, however, a transfer of funds from general fund unrestricted fund balance occurred at the end of fiscal year 2017 resulting in a portion designated as assigned fund balance. In total, fund balance increased $8.1 million during fiscal year 2018 due to increased revenues and higher lapsed expenditures as compared to the budgeted amounts, offset by additional appropriations for winter maintenance needs.

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 106.

General Fund:

The net increase from the original budget of $4,855.2 million to the final budget of $5,458.3 million is $603.1 million and represents additional appropriations issued after adoption of the operating budget, primarily in the following categories of government: Health & Social Services ($424.1 million), Justice & Public Protection ($64.6 million) and Resource Protection and Development ($47.2 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, as well as drinking and groundwater programs funded through additional revenue sources.

Actual total revenue was less than the final budget by approximately $711.6 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $462.2 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately $980.7 million lower than the final budget, primarily within the Department of Health & Human Services, the Department of Justice, the Department of Education, the Department of Transportation and the Department of Environmental Services. This variance was largely due to the timing of program expenditures and certain supplemental appropriations which were approved late in the fiscal year.

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, 2018, amounted to $7.6 billion, with accumulated depreciation amounts of $3.5 billion, leaving a net book value of $4.1 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 $2.4 billion, consistent with the prior year.

The 2018-2019 capital budget authorized nearly $262 million in capital appropriations, leveraging approximately $201 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 2018 include:

- 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), previously capitalized as construction in progress.
- Building improvements of approximately $6.2 million relating to National Guard armory locations.
- Departments of Safety and Transportation equipment expenditures totaling $11.1 million towards communications, transportation and other operational improvements.
- 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 $1,267.1 million, which includes $15.7 million of general obligation bonds related to a component unit. Of the total amount, $785.3 million are general obligation bonds and notes payable, which are backed by the full faith and credit of the State, and $118.7 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.

On July 13, 2017, the State issued $4.3 million of general obligation capital improvement bonds. The bonds were sold via private placement with the New Hampshire Municipal Bond Bank ("NHMBB"). The proceeds are being used to finance various capital projects of the State. The NHMBB holds the bonds as investments in its Debt Service Reserve Fund.

The State issued $66.5 million General Obligation Capital Improvement Bonds 2017 Series B on December 6, 2017, of which $57.1 million was for governmental activities and $9.4 million was for Liquor projects, through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 2.42% with coupons ranging from 3.00% to 5.00% and with final maturity on 12/31/37. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

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 were active in the state fiscal year 2018. Total proceeds attributed to fiscal year 2018 expenditures were $54.8 million, representing an addition to the 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 2018 unemployment rate of 2.6% (seasonally adjusted) continues to be below the national average of 3.7%.

Fiscal Year 2019 Revenue Performance for the five months ended November 30, 2018:

Unrestricted revenue for the General and Education Funds received year to date through the month of November totaled $760.1 million, which was above plan by $57.3 million (8.2%) and above prior year by $51.0 million (7.2%).

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

- Business Taxes totaled $233.4 million through November, which was $63.8 million (37.6%) above plan and $43.9 million (23.2%) above prior year.
- Meals and Rentals Tax receipts through November were $1.2 million (0.7%) above plan and $8.4 million (5.3%) above prior year.
- Real Estate Transfer Taxes through November were $1.5 million (1.9%) below plan but $6.0 million (8.4%) above prior year.
- Collections for the Interest and Dividends Tax through November of $21.2 million were $1.7 million (8.7%) above plan and $1.0 million (5.0%) above prior year.

The positive variances above were partially offset by:

- Tobacco Tax receipts through November of $90.1 million were $4.1 million (4.4%) below plan and $7.4 million (7.6%) below prior year.
- Transfers from the Liquor Commission were lower than plan due to lower profits and additional funds transferred to the state's Alcohol Abuse Prevention and Treatment fund.

On an annual basis, the fiscal year 2019 General and Education Funds revenue Plan of $2,471.7 million is approximately $105.5 million lower (4%) than the actual traditional revenue realized in fiscal year 2018 ($2,577.2 million), due to the anomalies experienced in business tax collections in fiscal year 2018.

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.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Basic Financial Statements

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2018
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$338,049	$120,701	$458,750	$92,160
Cash and Cash Equivalents-Restricted	334,514	474,491	809,005	23,552
Investments				160,809
Investments - Restricted		78,108	78,108	
Receivables (Net of Allowances for Uncollectibles)	737,666	23,226	760,892	43,002
Other Receivables-Restricted		43,861	43,861	
Internal Balances Receivable (Payable)	10,691	(10,691)		
Inventories	24,709	85,555	110,264	
Other Current Assets	33,315	73	33,388	10,107
Other Current Assets-Restricted		5,427	5,427	
Total Current Assets	1,478,944	820,751	2,299,695	329,630
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	13,712		13,712	43,453
Other Receivables-Restricted		419,037	419,037	
Investments	26,473		26,473	803,615
Investments-Restricted	349,112	75,614	424,726	
Other Assets				10,970
Other Assets-Restricted		4,190	4,190	
Capital Assets:				
Land & Land Improvements	680,631	106,463	787,094	30,788
Buildings & Building Improvements	935,377	55,865	991,242	2,141,508
Equipment & Computer Software	457,767	83,289	541,056	172,282
Construction in Progress	237,177	69,325	306,502	46,080
Infrastructure	3,854,870	1,094,637	4,949,507	
Less: Allowance for Depreciation	(3,013,791)	(440,574)	(3,454,365)	(1,084,557)
Net Capital Assets	3,152,031	969,005	4,121,036	1,306,101
Total Noncurrent Assets	3,541,328	1,467,846	5,009,174	2,164,139
Total Assets	5,020,272	2,288,597	7,308,869	2,493,769
DEFERRED OUTFLOWS OF RESOURCES	267,098	16,517	283,615	49,366

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2018
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	$422,781	$106,020	$528,801	$65,220
Accrued Payroll	48,263	3,683	51,946	6,961
Unearned Revenue	88,356	19,849	108,205	42,665
Unclaimed Property & Prizes	15,864	5,775	21,639	
General Obligation Bonds Payable	88,399	4,185	92,584	
Federal Highway Grant Anticipation Bond Payable	13,620		13,620	
Claims & Compensated Absences Payable	37,984	1,115	39,099	6,952
Other Liabilities	18,034	18,229	36,263	12,808
Revenue Bonds Payable		27,110	27,110	25,327
Total Current Liabilities	733,301	185,966	919,267	159,933
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	719,629	38,759	758,388	
Federal Highway Grant Anticipation Bond Payable	109,287		109,287	
Revenue Bonds Payable, Net		353,432	353,432	465,219
Notes Payable	102,757		102,757	
Claims & Compensated Absences Payable	99,697	7,264	106,961	25,736
Other Postemployment Benefits Payable	2,080,640	117,223	2,197,863	208,746
Derivative Instruments - Interest Rate Swaps				18,294
Net Pension Liability	963,114	49,813	1,012,927	67,938
Other Noncurrent Liabilities	53,441	3,870	57,311	66,298
Total Noncurrent Liabilities	4,128,565	570,361	4,698,926	852,231
Total Liabilities	4,861,866	756,327	5,618,193	1,012,164
DEFERRED INFLOWS OF RESOURCES	643,823	38,607	682,430	56,501
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	2,315,210	554,745	2,869,955	828,709
Restricted for Debt Repayments		62,465	62,465	
Restricted for Uninsured Risks		3,523	3,523	
Restricted for Unemployment Benefits	14,376	310,831	325,207	
Restricted for Permanent Funds-Expendable	12,877		12,877	
Restricted for Permanent Funds-Non-Expendable	12,606		12,606	
Restricted for Prize Awards - MUSL & Tri-State		4,189	4,189	
Restricted for Environmental Remediation	334,112		334,112	
Restricted for Environmental Loan Programs	1,584	673,376	674,960	
Restricted for Health and Social Services	81,758		81,758	
Restricted for Facility Sustainment		323	323	
Restricted for Highway	122,677		122,677	
Restricted for Other Purposes	107,741		107,741	
Restricted Component Unit Net Position				537,192
Unrestricted Net Position (Deficit)	(3,221,260)	(99,272)	(3,320,532)	108,569
Total Net Position (Deficit)	$(218,319)	$1,510,180	$1,291,861	$1,474,470

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, 2018
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	$487,323	$292,437	$35,722	
Administration of Justice & Public Protection	529,684	377,270	92,157	$16
Resource Protection and Development	178,862	100,984	44,465	
Transportation	569,332	18,950	11,945	190,797
Health and Social Services	2,883,850	178,117	1,896,120	
Education	1,356,013	1,458	186,812	
Interest Expense	33,754			
Total Governmental Activities	6,038,818	969,216	2,267,221	190,813
Business-type Activities:				
Turnpike System	97,530	139,474		104
Liquor Commission	554,195	710,214		
Lottery Commission	250,510	337,896		
SRF	17,244	15,038	28,456	
Unemployment Compensation	57,529	81,786		
Total Business-type Activities	977,008	1,284,408	28,456	104
Total Primary Government	7,015,826	2,253,624	2,295,677	190,917
COMPONENT UNITS				
University System of New Hampshire	843,618	571,138	167,404	1,862
Non-Major Component Units	158,861	73,357	36,479	7,320
Total Component Units	$1,002,479	$644,495	$203,883	$9,182

General Revenues:
General Property Taxes
Business Income Taxes
Meals and Rental Taxes
Special Taxes
Personal Taxes
Business License Taxes
Interest & Investment Income
Miscellaneous
Payments from State of New Hampshire
Transfers - Internal Activities
Total General Revenues and Transfers
Changes in Net Position
Net Position (Deficit) - July 1, restated
Net Position (Deficit) - 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
$(159,164)		$(159,164)	
(60,241)		(60,241)	
(33,413)		(33,413)	
(347,640)		(347,640)	
(809,613)		(809,613)	
(1,167,743)		(1,167,743)	
(33,754)		(33,754)	
(2,611,568)		(2,611,568)	
	$42,048	42,048	
	156,019	156,019	
	87,386	87,386	
	26,250	26,250	
	24,257	24,257	
	335,960	335,960	
(2,611,568)	335,960	(2,275,608)	
			$(103,214)
			(41,705)
			$(144,919)
409,085		409,085	
774,512		774,512	
329,983		329,983	
567,200		567,200	
211,319		211,319	
184,886		184,886	
21,023		21,023	79,592
53,376		53,376	
			130,475
257,086	(257,086)		
2,808,470	(257,086)	2,551,384	210,067
196,902	78,874	275,776	65,148
(415,221)	1,431,306	1,016,085	1,409,322
$(218,319)	$1,510,180	$1,291,861	$1,474,470

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 federal emergency 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, 2018
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$488,070	$119,117	$5,553	$11,226	$623,966
Investments	350,456			25,129	375,585
Receivables (Net of Allowances for Uncollectibles)	567,295	65,181	86,899	5,757	725,132
Due from Other Funds	29,983	319	1,284	6,781	38,367
Other Assets	33,060				33,060
Inventories	4,729	19,345		635	24,709
Loan Receivables	13,728				13,728
Total Assets	1,487,321	203,962	93,736	49,528	1,834,547
LIABILITIES					
Accounts Payable	367,672	34,028	2,492	18,370	422,562
Accrued Payroll	38,488	8,830		945	48,263
Due to Other Funds	522	169		26,985	27,676
Unearned Revenue	84,668	3,688			88,356
Unclaimed Property	15,864				15,864
Other Liabilities	1,033				1,033
Total Liabilities	508,247	46,715	2,492	46,300	603,754
DEFERRED INFLOWS OF RESOURCES	114,686	1,325	65,800		181,811
FUND BALANCES					
Nonspendable:					
Inventories	4,729	19,345		635	24,709
Permanent Fund Principal				12,606	12,606
Restricted	547,274	122,677		17,780	687,731
Committed	28,157			2,885	31,042
Assigned	99,833	13,900	25,444	1,962	141,139
Unassigned:					
Revenue Stabilization	110,000				110,000
Other	74,395			(32,640)	41,755
Total Fund Balances	864,388	155,922	25,444	3,228	1,048,982
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$1,487,321	$203,962	$93,736	$49,528	$1,834,547

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, 2018
(Expressed in Thousands)

Total Fund Balances for Governmental Funds		$1,048,982
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.		3,152,031
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.		181,811
Revenues that will be collected after year-end and are not available		255
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.		41,401
Net deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds.		13,264
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers' Compensation	(118,186)	
Net Pension Liability, net of Deferred Amounts	(816,886)	
Other Postemployment Benefits Payable, net of Deferred Amounts	(2,616,857)	
Pollution Remediation Obligation	(49,961)	
Capital Lease Obligations	(9,444)	
Bonds and Notes Payable	(1,033,692)	
Advance Construction Commitments to Municipalities	(275)	
Interest Payable and Other Liabilities	(10,762)	(4,656,063)
Net Position of Governmental Activities		$(218,319)

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, 2018
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$273		$408,312		$408,585
Special Taxes	1,320,269		358,826		1,679,095
Personal Taxes	124,443		87,077		211,520
Business License Taxes	24,475	$184,886			209,361
Non-Business License Taxes	114,629	90,460		$10,350	215,439
Fees	156,955	23,582		6,452	186,989
Fines, Penalties and Interest	7,085	6,108	3	105	13,301
Grants from Federal Government	2,070,807	175,492		50,278	2,296,577
Grants from Private and Local Sources	177,441	4,169		812	182,422
Rents and Leases	1,368	92			1,460
Interest, Premiums and Discounts	26,770			623	27,393
Sale of Commodities	14,881	2,686		392	17,959
Sale of Service	23,740	4,114			27,854
Assessments	63,092				63,092
Grants from Other Agencies	56,191	14,756		95	71,042
Miscellaneous	214,247	5,272	39,999	3,205	262,723
Total Revenues	4,396,666	511,617	894,217	72,312	5,874,812
EXPENDITURES					
Current:					
General Government	375,556		1,243		376,799
Administration of Justice and Public Protection	468,056	62,202		109	530,367
Resource Protection and Development	137,331	1,881		23,172	162,384
Transportation	40,414	329,227			369,641
Health and Social Services	2,906,735			377	2,907,112
Education	400,155		959,566		1,359,721
Debt Service	106,089	33,706		387	140,182
Capital Outlay	28,479	129,484		115,157	273,120
Total Expenditures	4,462,815	556,500	960,809	139,202	6,119,326
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,149)	(44,883)	(66,592)	(66,890)	(244,514)
OTHER FINANCING SOURCES (USES)					
Transfers In	4,511			1,881	6,392
Transfers in from Enterprise Funds	169,807		87,279		257,086
Transfers Out		(2,842)		(3,550)	(6,392)
Capital Lease Acquisition	3,776				3,776
Miscellaneous	(79)			4,084	4,005
Bond Premiums				9,282	9,282
Note Issuance		54,768		61,478	116,246
Total Other Financing Sources	178,015	51,926	87,279	73,175	390,395
Net Change in Fund Balances	111,866	7,043	20,687	6,285	145,881
Fund Balances (Deficits)- July 1	752,915	147,792	4,757	(3,184)	902,280
Change in Inventory	(393)	1,087		127	821
Fund Balances - June 30	$864,388	$155,922	$25,444	$3,228	$1,048,982

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, 2018
(Expressed in Thousands)

Net Change in Fund Balances for Total Governmental Funds, including Change in Inventory		$146,702
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		(8,788)
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	3,854	
Buildings & Building Improvements	59,912	
Equipment & Computer Software	27,708	
Construction in Progress	5,540	
Infrastructure	98,060	
Accumulated Depreciation, Net of Disposals	(88,154)	106,920
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.		6,892
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	(54,768)	
Bond Proceeds and Premiums Received	(70,760)	
Repayment of Bond/Note Principal & Interest	96,724	
Amortization of Premiums	10,518	
Unamortized Loss on Refunding, net	(1,611)	
Accrued Interest	797	(19,100)
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	(1,280)	
Other Postemployment Benefits Payable, net of Deferred Amounts	(9,998)	
Net Pension Liability, net of Deferred Amounts	(23,318)	
Pollution Remediation Obligation	1,501	
Capital Lease Obligation	(2,916)	
Advance Construction Commitments to Municipalities	287	(35,724)
Change in Net Position of Governmental Activities		$196,902

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, 172 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 activities are included in this fund. This net income is transferred to the Education Trust 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, 2018
(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	$101,174	$13,808	$5,719			$120,701	$48,597
Cash and Cash Equivalents-Restricted	62,788		116	$102,316	$309,271	474,491	
Investments - Restricted	3,523			74,585		78,108	
Receivables (Net of Allowances for Uncollectibles)	12,177	7,123	3,926			23,226	12,518
Other Receivables-Restricted				26,913	16,948	43,861	
Due from Other Funds	451	367	419			1,237	
Inventories	2,597	81,982	976			85,555	
Other Current Assets	73					73	
Other Current Assets-Restricted				5,427		5,427	
Total Current Assets	182,783	103,280	11,156	209,241	326,219	832,679	61,115
Noncurrent Assets:							
Investments - Restricted				75,614		75,614	
Other Receivables-Restricted				419,037		419,037	
Capital Assets:							
Land & Land Improvements	103,772	2,691				106,463	
Buildings & Building Improvements	14,773	41,092				55,865	
Equipment & Computer Software	63,938	18,707	644			83,289	
Construction in Progress	63,398	5,927				69,325	
Infrastructure	1,094,637					1,094,637	
Less: Allowance for Depreciation & Amortization	(417,266)	(22,736)	(572)			(440,574)	
Net Capital Assets	923,252	45,681	72			969,005	
Other Assets - Restricted			4,190			4,190	
Total Noncurrent Assets	923,252	45,681	4,262	494,651		1,467,846	
Total Assets	1,106,035	148,961	15,418	703,892	326,219	2,300,525	61,115
DEFERRED OUTFLOWS OF RESOURCES	5,991	7,343	1,343	1,840		16,517	
LIABILITIES							
Current Liabilities:							
Accounts Payable	11,521	91,044	2,066	1,389		106,020	219
Accrued Payroll	882	2,113	316	372		3,683	
Due to Other Funds	319	7,327	1,284		2,998	11,928	
Unearned Revenue	16,157	2,708	984			19,849	
Unclaimed Prizes			5,775			5,775	
General Obligation Bonds Payable		2,107		2,078		4,185	
Revenue Bonds Payable-Current	27,110					27,110	
Accrued Interest Payable	4,930	133				5,063	
Claims & Compensated Absences Payable	374	531	76	134		1,115	19,495
Other Liabilities	575	71	117	13	12,390	13,166	
Total Current Liabilities	61,868	106,034	10,618	3,986	15,388	197,894	19,714
Noncurrent Liabilities:							
General Obligation Bonds Payable		25,455		13,304		38,759	
Revenue Bonds Payable	353,432					353,432	
Claims & Compensated Absences Payable	2,324	3,649	397	894		7,264	
Other Postemployment Benefits Payable	32,186	62,905	16,144	5,988		117,223	
Net Pension Liabilities	13,875	25,425	4,402	6,111		49,813	
Other Noncurrent Liabilities	3,687	183				3,870	
Total Noncurrent Liabilities	405,504	117,617	20,943	26,297		570,361	
Total Liabilities	467,372	223,651	31,561	30,283	15,388	768,255	19,714
DEFERRED INFLOWS OF RESOURCES	10,306	20,957	5,271	2,073		38,607	
NET POSITION							
Net Investment in Capital Assets	543,590	11,083	72			554,745	
Restricted for Debt Repayments	62,465					62,465	
Restricted for Uninsured Risks	3,523					3,523	
Restricted for Prize Awards - MUSL & Tri-State			4,189			4,189	
Restricted for Environmental Loans				666,203		666,203	
Restricted for SRF Programs				7,173		7,173	
Restricted for Facility Sustainment	323					323	
Restricted for Unemployment Benefits					310,831	310,831	
Unrestricted Net Position (Deficit)	24,447	(99,387)	(24,332)			(99,272)	41,401
Total Net Position (Deficit)	$634,348	$(88,304)	$(20,071)	$673,376	$310,831	$1,510,180	$41,401

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, 2018
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Internal Service Fund
OPERATING REVENUES							
Charges for Sales and Services		$691,854	$337,793	$10,117	$75,058	$1,114,822	$298,361
Toll Revenue Pledged for Repaying Revenue Bonds	$134,839					134,839	
Total Operating Revenue	134,839	691,854	337,793	10,117	75,058	1,249,661	298,361
OPERATING EXPENSES							
Cost of Sales and Services		491,098				491,098	
Lottery Prize Awards			240,011			240,011	
Unemployment Insurance Benefits					57,529	57,529	
Principal Forgiveness				6,939		6,939	
Insurance Claims							279,900
Administration	56,801	58,995	10,426	9,687		135,909	11,569
Depreciation	26,628	3,058	73			29,759	
Total Operating Expenses	83,429	553,151	250,510	16,626	57,529	961,245	291,469
Operating Income (Loss)	51,410	138,703	87,283	(6,509)	17,529	288,416	6,892
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,286				4,286	
Beer Taxes		12,828				12,828	
Investment Income	1,080		103	3,501	6,728	11,412	
Miscellaneous	3,555	1,246		1,420		6,221	
Federal Grant Revenue				28,456		28,456	
Interest on Bonds	(14,101)	(1,044)		(618)		(15,763)	
Total Nonoperating Revenues (Expenses)	(9,466)	17,316	103	32,759	6,728	47,440	
Income Before Capital Grant Contributions	41,944	156,019	87,386	26,250	24,257	335,856	6,892
Capital Contributions and Grants	104					104	
Income Before Transfers	42,048	156,019	87,386	26,250	24,257	335,960	6,892
Transfers To Governmental Funds		(156,002)	(87,279)		(13,805)	(257,086)	
Change in Net Position	42,048	17	107	26,250	10,452	78,874	6,892
Net Position (Deficit)- July 1 - restated	592,300	(88,321)	(20,178)	647,126	300,379	1,431,306	34,509
Net Position (Deficit) - June 30	$634,348	$(88,304)	$(20,071)	$673,376	$310,831	$1,510,180	$41,401

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, 2018
(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				$3,758	$776	$4,534	
Receipts from Customers	$133,882	$691,425	$517,578		73,901	1,416,786	$61,897
Receipts from Borrowers				51,015		51,015	
Interest from Borrowers				6,220		6,220	
Receipts from Supplier Rebate		75,343				75,343	
Receipts from Interfund Charges							236,276
Payments to Borrowers				(81,281)		(81,281)	
Payments to Employees	(15,840)	(30,783)	(5,201)			(51,824)	
Payments to Suppliers	(36,743)	(562,968)	(11,425)	(7,968)		(619,104)	(12,533)
Payments to Prize Winners			(415,604)			(415,604)	
Payments for Insurance Claims					(57,130)	(57,130)	(284,270)
Payments for Interfund Services		(6,779)		(851)		(7,630)	
Net Cash Provided by (Used for) Operating Activities	81,299	166,238	85,348	(29,107)	17,547	321,325	1,370
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(149,202)	(85,910)		(13,805)	(248,917)	
Receipts from Federal Agencies				27,927		27,927	
Other Contributions				1,420		1,420	
Temporary Loan from Other State Funds		(10,559)				(10,559)	
Interest Paid on Bonds				(618)		(618)	
Principal Paid on Bonds				(2,832)		(2,832)	
Net Proceeds from Issuance of Bonds							
Transfer: Alcohol Abuse Prevention/Treatment Fund		(6,800)				(6,800)	
Proceeds from Collection of Licenses and Beer Tax		17,115				17,115	
Other Income		1,246				1,246	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities		(148,200)	(85,910)	25,897	(13,805)	(222,018)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal, Sale and Construction of Capital Assets	(34,507)	(11,052)				(45,559)	
Interest Paid on Bonds	(19,607)	(1,044)				(20,651)	
Principal Paid on Bonds	(17,890)	(1,541)				(19,431)	
Net Proceeds from Issuance of Bonds		9,407				9,407	
Payments for Underwriter Discount/Premium	(44)					(44)	
Receipts from Others	5,161					5,161	
Contributions from Other Funds							
Net Cash Provided by (Used for) Capital and Related Financing Activities	(66,887)	(4,230)				(71,117)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	54,000					54,000	
Purchase of Investment	(39,760)			(915)		(40,675)	
Other Income	1,168		61	3,267	6,728	11,224	
Net Cash Provided by (Used for) Investing Activities	15,408		61	2,352	6,728	24,549	
Net Increase in Cash & Cash Equivalents	29,820	13,808	(501)	(858)	10,470	52,739	1,370
Cash and Cash Equivalents - July 1	134,142		6,336	103,174	298,801	542,453	47,227
Cash and Cash Equivalents - June 30	$163,962	$13,808	$5,835	$102,316	$309,271	$595,192	$48,597

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, 2018
(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)	$51,410	$138,703	$87,283	$(6,509)	$17,529	$288,416	$6,892
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation	26,628	3,058	73			29,759	
Principal Repayments				51,015		51,015	
Loan Advances to Borrowers				(81,281)		(81,281)	
Capitalized Loan Interest				(74)		(74)	
Principal Forgiveness				6,939		6,939	
Miscellaneous Income/(Expense)	278			244		522	
Change in Receivables/Loans	(4,708)	(693)	(1,420)	(53)	373	(6,501)	(188)
Change in Inventories	(317)	(6,566)	266			(6,617)	
Change in Other Current Assets			1			1	
Change in Restricted Deposits-MUSL			(107)			(107)	
Change in Accounts Payable and Other Accruals	3,610	30,767	96	169	(355)	34,287	(892)
Change in Claims Payable			(861)	150		(711)	(4,442)
Change in Unearned Revenue	3,186	80	(116)			3,150	
Change in Other Postemployment Benefits Payable	1,212	189	69	293		1,763	
Change in Net Pension Liability, Net of Deferred Amounts		700	64			764	
Net Cash Provided by (Used In) Operating Activities	$81,299	$166,238	$85,348	$(29,107)	$17,547	$321,325	$1,370
Turnpike Non-Cash Capital and Related Financing Activities:							
Capital Contributions	$104						
SRF Non-Cash Investing Activities:							
Principal Forgiveness				$6,939			

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 and trust funds. 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, 2018
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund	Agency Funds
ASSETS				
Cash and Cash Equivalents	$292,127	$11,872	$8,196	$11,350
Receivables:				
Due from Employers	51,055			
Due from Plan Members	22,546			
Due from Brokers for Securities Sold	22,573			
Interest and Dividends	17,268		457	
Other	4,509			
Total Receivables	117,951		457	
Investments:				
Cash & Cash Equivalents				
Certificates of Deposit			101,039	
Repurchase Agreements			26,169	
U.S. Government Obligations			13,581	
Equity Investments	4,272,465			
Fixed Income Investments	1,843,519			
Commercial Real Estate	805,153			
Commercial Paper			34,426	
Alternative Investments	1,638,913			
Other Investments		3,402		2,113
Total Investments	8,560,050	3,402	175,215	2,113
Other Assets	141			
Total Assets	8,970,269	15,274	183,868	13,463
LIABILITIES				
Management Fees and Other Payables	10,005	3,801	82	
Due to Brokers for Securities Purchased	28,158			
Custodial Funds Payable				13,463
Total Liabilities	38,163	3,801	82	13,463
NET POSITION				
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	8,932,106			
Net Position Held in Trust for Benefits & Other Purposes		11,473	183,786	
RECONCILIATION OF NET POSITION HELD IN TRUST:				
Employees' Pension Benefits	8,894,798			
Employees' Postemployment Healthcare Benefits	37,308			
Net Position for Pool Participants in External Investment Pool			183,786	
Other Purposes		11,473		
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	$8,932,106			
Net Position Held in Trust for Benefits & Other Purposes		$11,473	$183,786	

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, 2018
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund
ADDITIONS			
Contributions:			
Employers	$473,199		
Plan Members	218,317		
Participants		$42,147	$237,894
Total Contributions	691,516	42,147	237,894
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	566,353		
Interest Income	55,469	177	3,088
Dividends	73,895		
Alternative Investment Income	29,995		
Other	30,984	112	2
Gross Income from Investing Activities	756,696	289	3,090
Less Investment Activity Expenses:			
Investment Management Fees	26,622		596
Custodial Fees	676		
Investment Administrative Expense	645		
Investment Advisor Fees	750		
Investment Professional Fees	288		
Total Investment Activity Expenses	28,981		596
Total Net Income from Investing Activities	727,715	289	2,494
Total Additions	1,419,231	42,436	240,388
DEDUCTIONS			
Benefits/Distributions to Participants	797,605	34,899	225,628
Refunds of Contributions	24,010		
Administrative Expense	8,028		
Professional Fees	690		
Other	225	2,953	
Total Deductions	830,558	37,852	225,628
Change in Net Position	588,673	4,584	14,760
NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Position - July 1	8,343,433	6,889	169,026
Net Position - June 30	$8,932,106	$11,473	$183,786

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, 2018
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$55,128	$37,032	$92,160
Cash and Cash Equivalents - Restricted		23,552	23,552
Operating Investments	151,150	9,659	160,809
Accounts Receivable	20,628	3,770	24,398
Other Receivables	3,299	3,649	6,948
Notes Receivable - Current Portion	2,711	8,945	11,656
Prepaid Expenses & Other	7,590	2,517	10,107
Total Current Assets	240,506	89,124	329,630
Noncurrent Assets:			
Investments	781,282	22,333	803,615
Notes & Other Receivables	23,571	19,882	43,453
Other Assets	4,963	6,007	10,970
Capital Assets:			
Land & Land Improvements	15,588	15,200	30,788
Building & Building Improvements	1,801,107	340,401	2,141,508
Equipment	138,587	33,695	172,282
Construction in Progress	42,862	3,218	46,080
Less: Accumulated Depreciation	(876,133)	(208,424)	(1,084,557)
Net Capital Assets	1,122,011	184,090	1,306,101
Total Noncurrent Assets	1,931,827	232,312	2,164,139
Total Assets	2,172,333	321,436	2,493,769
DEFERRED OUTFLOWS OF RESOURCES	31,436	17,930	49,366
LIABILITIES			
Current Liabilities:			
Accounts Payable	59,924	5,296	65,220
Accrued Salaries and Wages		6,961	6,961
Accrued Employee Benefits - Current	6,917	35	6,952
Other Payables & Accrued Expenses		6,971	6,971
Other Liabilities	5,837		5,837
Deposits and Unearned Revenues	39,864	2,801	42,665
Long Term Debt - Current Portion	22,968	2,359	25,327
Total Current Liabilities	135,510	24,423	159,933
Noncurrent Liabilities:			
Revenue Bonds Payable	465,219		465,219
Accrued Employee Benefits	25,736		25,736
Other Postemployment Medical Benefits Payable	83,975	124,771	208,746
Derivative Instruments - Interest Rate Swaps	18,294		18,294
Net Pension Liability		67,938	67,938
Other Long Term Debt	18,679	47,619	66,298
Total Noncurrent Liabilities	611,903	240,328	852,231
Total Liabilities	747,413	264,751	1,012,164
DEFERRED INFLOWS OF RESOURCES	8,700	47,801	56,501
NET POSITION			
Net Investment in Capital Assets	665,194	163,515	828,709
Restricted:			
Nonexpendable	263,969		263,969
Expendable	216,339	56,884	273,223
Unrestricted Net Position (Deficit)	302,154	(193,585)	108,569
Total Net Position	$1,447,656	$26,814	$1,474,470

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, 2018
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
EXPENSES	$843,618	$158,861	$1,002,479
PROGRAM REVENUES:			
Charges for Services:			
Tuition & Fees	513,809	67,583	581,392
Student Financial Aid	(187,481)	(20,387)	(207,868)
Sales, Services, & Other Revenue	244,810	26,161	270,971
Operating Grants & Contributions	167,404	36,479	203,883
Capital Grants & Contributions	1,862	7,320	9,182
Total Program Revenues	740,404	117,156	857,560
Net Expenses	(103,214)	(41,705)	(144,919)
Interest & Investment Income	75,146	4,446	79,592
Payments from State of New Hampshire	84,000	46,475	130,475
Change in Net Position	55,932	9,216	65,148
Net Position (Deficit) - July 1, restated	1,391,724	17,598	1,409,322
Net Position (Deficit) - June 30	$1,447,656	$26,814	$1,474,470

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, 2018

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 (U.S. GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the 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, 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, 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. As of June 30, 2018, there was no remaining debt retained by the State for CCSNH assets. 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. It 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 supervising the operations of NHJRP.

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 financial benefit to or impose financial 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
· Land and Community Heritage Investment Program

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, 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, maintenance and operations of the State's public highways and the supervision of traffic thereon.

Education Trust Fund: 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 *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 *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 *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 Funds

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

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 New Hampshire Public Deposit Investment Pool (NHPDIP or the Pool), an external investment pool. The NHPDIP was established, in accordance with RSA 383:22-24, for the purpose of investing funds of the State of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the State of New Hampshire. As of June 30, 2018, 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.

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, 2018, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2017, and for the year then ended.

D. CASH EQUIVALENTS

For the purposes of reporting in the Statement of Net Position, Statement of Fiduciary Net Position and 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, or net asset value. Cash equivalents include certain money market mutual funds, the State's holdings in the NHPDIP and funds on deposit with the U.S. Treasury for the Unemployment Compensation Fund.

E. INVESTMENTS

Primary Government

Investments are reported at fair value. 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. If an investment is in an active market where quoted prices exist, the market price of an identical security is used to report fair value. Corporate fixed income securities and certain U.S. government securities utilize pricing that may involve estimation using similar securities or trade dates. As these investments are generally not traded in an active market, fair value measurements are determined using market data and matrix pricing. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices. Money market mutual funds are generally reported at net asset value (NAV) reported by the fund managers and assessed as reasonable by the State, which is used as a practical expedient to estimate the fair value.

Non Pension Fiduciary Funds

In accordance with GASB 79, NHPDIP portfolio securities are valued at amortized cost, which approximates fair value. All other non pension trust fund investments are reported at fair value.

Pension Trust Funds and Major Component Unit

See Note 2 for further discussion of fair value techniques.

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 and safe drinking water systems. 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 exceeds $10,000, and all other capital assets are capitalized when the cost of individual items or projects exceeds $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 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.

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. 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.

M. POSTEMPLOYMENT LIABILITIES

The State participates in two defined benefit pension plans, the State of New Hampshire Retirement System (NHRS) and the New Hampshire Judicial Retirement Plan (NHJRP). The State also participates in two other postemployment benefit (OPEB) plans, a funded plan administered by NHRS, hereafter referred to as the Trusted OPEB Plan, and a nonfunded plan, hereafter referred to as the Non Trusted OPEB Plan. See footnote 11 for activity related to these plans.

For purposes of measuring the total/net Pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to these liabilities and related expense, information about the fiduciary net position of the NHRS and NHJRP, and additions to/deductions from the fiduciary net position has been determined on the same basis as it is reported by NHRS, NHJRP and the State OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

N. 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 and reported as unassigned fund balance. See Note 16 for additional information about fund balances and the stabilization account.

O. 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 effective interest 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.

P. 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.

Q. 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 Trust 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.

R. 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.

S. 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.

T. 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.

U. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2018, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* (GASB 75) improves the financial reporting for post-employment benefits other than pensions (OPEB). This statement requires enhanced notes disclosures and schedules for required supplementary information be presented. Under the new standard, the State will report net/total other postemployment benefits liability and related amounts of deferred outflows of resources and deferred inflows of resources associated with other postemployment benefits provided through the NHRS and the State. As shown below, the State has restated net position as of July 1, 2017 for the effect of implementation of the new standard. The new disclosures resulting from implementation of this statement can be found in Note 11 and in the RSI.

(Expressed in Thousands)	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Business-type Activities
Net Position (deficit), as previously reported	$1,011,141	$632,290	$(7,594)	$404	$654,352	$300,379	$1,579,831
Trusted OPEB Plan	(78,533)						
Non Trusted OPEB Plan	(1,347,829)	(39,990)	(80,727)	(20,582)	(7,226)		(148,525)
Less: GASBS 75 Implementation Adjustment	(1,426,362)	(39,990)	(80,727)	(20,582)	(7,226)		(148,525)
Net Position (deficit), as restated	$(415,221)	$592,300	$(88,321)	$(20,178)	$647,126	$300,379	$1,431,306

(Expressed in Thousands)	University of New Hampshire	Non-major Component Units	Component Units
Net Position, as previously reported	$1,434,818	$172,514	$1,607,332
Trusted OPEB Plan		(5,827)	(5,827)
Non Trusted OPEB Plan		(149,089)	(149,089)
Other	(41,792)		(41,792)
Less: GASBS 75 Implementation Adjustment	(41,792)	(154,916)	(196,708)
Less: GASB 81 Implementation Adjustment	(1,302)		(1,302)
Net Position, as restated	$1,391,724	$17,598	$1,409,322

GASB No. 81, *Irrevocable Split-Interest Agreements* (GASB 81) improves the financial reporting for irrevocable split-interest agreements by providing guidance for situations in which a government is a beneficiary of an agreement. This statement requires governments that receive resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and recognize assets representing its beneficial interests that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The implementation of GASB 81 did not have an impact on the primary government financial statements.

GASB No. 85, *Omnibus 2017* (GASB 85) addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including blending component units, goodwill, fair value measurement, and postemployment benefits. The new disclosures resulting from implementation of this statement can be found in Note 11 and in the RSI.

GASB No. 86, *Certain Debt Extinguishment Issues* (GASB 86) improves financial reporting and notes to the financial statements for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in a irrevocable trust for the sole purpose of extinguishing debt. In addition, the statement improves financial reporting for prepaid insurance on debt that is extinguished. The implementation of GASB 86 did not have an impact on the financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT AND NON PENSION FIDUCIARY FUNDS

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."

The table below presents the cash, cash equivalents, and investments as reflected in the financial statements (expressed in thousands):

		Unrestricted		Restricted		
		Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments	Total
Per Statement of Net Position	Primary Government	$458,750	$26,473	$809,005	$502,834	$1,797,062
Per Statement of Fiduciary Net Position	Private Purpose	11,872	3,402			15,274
	Investment Trust	8,196	175,215			183,411
	Agency Funds	11,350	2,113			13,463
	Total per Financial Statements	**$490,168**	**$207,203**	**$809,005**	**$502,834**	**$2,009,210**

INVESTMENTS:

The State's Treasury Department (State Treasury) is responsible for managing certain State cash and investments in accordance with 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.

The State Treasury classifies the following balances by investment type as of June 30, 2018:

	(Amounts in thousands)	
State Treasury Investments by Type	**Governmental & Business-Type**	**Fiduciary**
Investments Measured at Fair Value		
Equity Securities	$18,026	
Corporate Bonds	1,532	
US Government Obligations	475,456	
Municipal Bonds	312	
Money Market Mutual Funds	624	10,693
Equity Open Ended Mutual Funds	17,685	1,004
Fixed Income Open Ended Mutual Funds	5,858	2,370
Subtotal At Fair Value	**$519,493**	**$14,067**
Investments Not Measured at Fair Value		
Investments in Non-Participating Interest Earning Investment Contracts (CD's)	12,052	271
NH Public Deposit Investment Pool (Internal investment held by State and NHH patient agency fund)	10,202	47
External Portion of NH Public Deposit Investment Pool		175,215
Subtotal Not At Fair Value	**$22,254**	**$175,533**
Total (1)	**$541,747**	**$189,600**

(1) Certain balances classified as investments for purposes of this State Treasury table are classified as cash and cash equivalents on the Statement of Net Position

Fair Value Hierarchy 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 the following levels:

Level 1 inputs 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, as well as the State's holdings in U.S. government obligations and corporate bonds, are categorized in Level 2.

Level 3 inputs are significant unobservable inputs. The State held no Level 3 investments as of June 30, 2018.

The fair value hierarchy gives the highest priority to Level 1 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. If an investment is held directly by the State and an active market with quoted prices exists, such as for domestic equity securities, registered mutual funds and exchanged traded funds, those securities are classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using market data and matrix pricing are classified in Level 2.

Investments in money market mutual funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the State's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. At June 30, 2018 the State 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 the hierarchy of the State's investments measured at fair value, by type, as of June 30, 2018 (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)	Net Asset Value (NAV)	Total
Governmental & Business-Type Activities				
U.S. Government Obligations & Municipal Bonds (1)		$475,768		$475,768
Equity Securities	$18,026			18,026
Corporate Bonds		1,532		1,532
Money Market Mutual Funds			$624	624
Equity Open Ended Mutual Funds			17,685	17,685
Fixed Income Open Ended Mutual Funds			5,858	5,858
Total Governmental & Business-Type Activities	18,026	477,300	24,167	519,493
Fiduciary Activities				
Money Market Mutual Funds			10,693	10,693
Equity Open Ended Mutual Funds			1,004	1,004
Fixed Income Open Ended Mutual Funds			2,370	2,370
Total Fiduciary Activities			14,067	14,067
Total Investments	$18,026	$477,300	$38,234	$533,560

Notes to the table above:

(1) Rates range from 0.625% to 7.134% and maturities from fiscal year 2018 to 2031

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 had no investments in U.S. Treasury Bonds and Bills.

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 U.S. 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 (WAM) approach. The State's WAM is dollar-weighted in terms of years. The specific target or limits of such maturity and percentage allocations are tailored to meet the investment objective(s) and defined in the investment guidelines associated with those funds.

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

Concentration Risk: The risk of loss attributed to the magnitude of the State's investment in a single issuer. This risk is applicable to the State's investments in corporate bonds. 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)

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	$1,532		3.7			
U.S. Government Obligations Held in Permanent Funds	1,275		9.9			
U.S. Government Obligations Held in Governmental and Business Type Activities	474,181		0.7			
Fixed Income Open Ended Mutual Funds		$5,858	7.1		$2,370	7.6
Municipal Bonds	$312		9.1			

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, 2018 exposed to custodial credit risk and excludes $8.2 million in cash and cash equivalents held by the Investment Trust Fund (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	$2,000	$703,060	$63,511		$12,640	$34
Money Market			208,073			10,812
Savings Accounts		323			848	
CDs	250	10,552	1,250			
Total	$2,250	$713,935	$272,834		$13,488	$10,846

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 NAVs for real estate investments recorded in this report were obtained from statements provided by the general partners of commingled funds. 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.

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.

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 Plans 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 Plans.

To aid in the prudent investment of the Plans' 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 NHRS 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, 2018, as recommended by the Independent Investment Committee and adopted by the NHRS Board of Trustees, is as follows:

ASSET ALLOCATION	2018	
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	4.50%	
Short Duration	2.50%	
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, 2018, NHRS held deposits of $8.8 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 investments (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.

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, 2018 (dollars expressed in thousands):

Investment Type	Fair Value June 30, 2018	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration Years
Collateralized/Asset Backed Obligations	$143,582	7.8%	3.0	0.2
Corporate Bonds	596,944	32.6%	4.9	1.6
Government and Agency Bonds	656,414	35.8%	4.4	1.6
Commingled Fund	210,767	11.5%	2.1	0.24
Commingled Fund	225,309	12.3%	(1.2)	(0.1)
Totals	**$1,833,016**	**100.0%**		**3.5**

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, 2018, including the distribution of those investments by Standard & Poor's quality credit ratings (dollars expressed in thousands):

		Quality Ratings1				
Investment Type	Fair Value June 30, 2018	AAA	AA	A	BBB or Lower	Unrated
Collateralized/Asset Backed Obligations	$143,582	$100,680	$1,936	$5,620	$16,117	$19,229
Corporate Bonds	596,944	6,304	37,946	147,924	398,154	6,616
Government and Agency Bonds [2]	235,113	18,495	43,369	100,842	62,101	10,306
Commingled Fund [3]	225,309			225,309		
Commingled Fund [3]	210,767				210,767	
Totals	**$1,411,715**	**$125,479**	**$83,251**	**$479,695**	**$687,139**	**$36,151**
Percent of Total Fair Value		**8.89%**	**5.90%**	**33.98%**	**48.67%**	**2.56%**

1 Ratings were derived primarily from Standard & Poors (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 ($421,301) because these securities are not considered to have credit risk.

3 Average credit quality ratings 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, 2018, the Plan's combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled $127.2 million.

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, 2018, 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, 2018, non-U.S. fixed income securities represent 2.7% 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 Plan's exposure to foreign currency risk at June 30, 2018 is presented on the following schedule (expressed in thousands):

Currency	Equity	Fixed Income	Real Estate and Alternative Investments	Cash and Cash Equivalents	Totals
Total investments subject to foreign currency risk	**$720,588**	**$205,799**	**$107,257**	**$8,264**	**$1,041,908**

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, 2018, there was $12.1 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, 2018 are summarized below (expressed in thousands):

FOREIGN CURRENCY EXCHANGE CONTRACTS PURCHASED & SOLD

	Unrealized Appreciation	Unrealized (Depreciation)
Totals	$1,781	$(6,783)

Fair Value: NHRS categorizes the fair value measurements of its investment within the fair value hierarchy established by generally accepted accounting principles as described in detail earlier in Note 2. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Level 1 - Unadjusted quoted prices for identical instruments in active markets.
Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable. NHRS had no level 3 investments as of June 30, 2018.

Investments that are measured at fair value using the net asset value (NAV) as a practical expedient are not classified in the fair value hierarchy. At June 30, 2018 NHRS had no plans or intentions to sell investments at amounts different from NAV.

The categorization of investments within the hierarchy is based on the pricing transparency of the investment and should not be perceived as the particular investment's risk.

The following table summarizes NHRS's investments measured at fair value, by type, as of June 30, 2018 (expressed in thousands):

	2018					
	Fair Value Measurements Using (in thousands)					
Investments at Fair Value	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Net Asset Value (NAV)**	**Unfunded Commitments**
Fixed Income:						
U.S Government Obligations (1)	$422,571	$388,564	$34,007			
Domestic Fixed Income (2)	768,573	8,412	760,161			
Commingled Funds (3)	436,075				$436,075	
International Fixed Income (4)	205,798		205,798			
Equity:						
Domestic Equity Securities	2,815,885	2,812,581	3,304			
Commingled Funds (5)	700,413				700,413	
International Equity Securities	720,590	720,590				
Real Estate:						
Real Estate Funds (6)	805,153				805,153	$154,796
Alternative Investments:						
Private Equity (7)	908,131				908,131	769,397
Private Debt (8)	514,942				514,942	321,082
Opportunistic (9)	210,634				210,634	
Total Investments	**$8,508,765**	**$3,930,147**	**$1,003,270**		**$3,575,348**	**$1,245,275**

Notes to the table above:

(1) Fiscal 2018 rates range from 0.125% to 6.000%, and maturities from 2018 to 2048. Fiscal 2017 rates range from 0.750% to 6.000%, and maturities from 2017 to 2046.

(2) Fiscal 2018 rates range from 0.00% to 12.000%, and maturities from 2018 to 2059. Fiscal 2017 rates range from 0.000% to 11.000%, and maturities from 2017 to 2057.

(3) This represents investments in two 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 one to 30 business days' prior written notice.

(4) Fiscal 2018 rates range from 0.000% to 10.600%, and maturities from 2018 to 2050. Fiscal 2017 rates range from 1.250% to 10.600%, and maturities from 2017 to 2064.

(5) This represents investments in five 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 52 real estate vehicles consisting of 11 strategic open-end funds and 41 tactical non-core investments. Redemption from the open-end funds can be requested on a quarterly basis with 45-90 days' notice periods. The tactical non-core investments are not redeemable. NHRS has no direct property investments as of June 30, 2018.

(7) This represents 32 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 20 investments in private partnerships focused primarily on the following strategies: direct lending, mezzanine and distressed debt. These private partnerships typically have 6 to 10 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 asset.

(9) AberdeenStandard Investments GARS is held within the Opportunistic sleeve of the Alternative Investments asset allocation as it 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.

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

Investments are reported at fair value. Investments in mutual funds are valued at current market prices. Alternative investments include investments in limited partnerships valued at net asset value (NAV) as a practical expedient to estimate fair value. The NAVs for alternative investments were obtained from statements provided by the investment managers in good faith by the funds' managers or underlying investments' general partners. These values may not reflect the amount that would be realized upon an immediate sale due to lack of liquidity or other market conditions. Due to the uncertainty of valuation, the investment manager's estimated values may differ from the values that would have been used had a ready market existed for the fund's investments, and the difference could be material. The net appreciation (depreciation) in the fair value of investments held by NHJRP is based on the valuation of investments as of the date of the statement of fiduciary net position.

The investment philosophy of the Board of Trustees of NHJRP flows from its responsibility as fiduciary with respect to the NHJRP members and beneficiaries. As such, the Plan's assets are invested and managed for the exclusive purpose of providing plan benefits and are invested pursuant to RSA 100-C:12. The Board of Trustees pursues an investment strategy designed to meet the long-term funding requirements of NHJRP as determined by the NHJRP's actuary.

The Board's investment policy permits NHJRP assets to be invested in U.S. and non-U.S. equities, U.S. and non-U.S. fixed income securities, and certain hedge funds and alternative fund-of-funds, subject to certain portfolio restrictions. Asset allocations among various classes are as follows as of December 31, 2017:

ASSET ALLOCATION		
Asset Class:	**Target**	**Policy Range**
Large Cap Equities	39.1%	
Small Cap Equities	5.9%	
Domestic Equity	**45.0%**	**35–45%**
International Equity	**19.2%**	**8–20%**
U.S. Government Bonds	9.3%	
Core Fixed Income	12.5%	
Fixed Income	**21.8%**	**10–33%**
U.S. REITs	1.5%	
Alternatives	10.0%	
Alternatives	**11.5%**	**0–33%**
Cash and cash equivalents	**2.5%**	**0-15%**

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, 2017, 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. NHJRP's fixed income investments are in mutual funds for which ratings are not available.

Fair Value: NHJRP categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are other significant observable inputs. Level 3 inputs are unobservable inputs. NHJRP has no unfunded commitments, and the following recurring fair value measurements as of December 31, 2017 (expressed in thousands):

	Fair Value Measurements as of December 31, 2017 Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Total
Investments at fair value					
Domestic equity	$24,642				$24,642
International equity	10,935				10,935
Fixed income	10,503				10,503
Alternatives				$5,205	5,205
	$46,080			$5,205	$51,285

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 $55.1 million and short-term investments totaled $151.2 million at June 30, 2018.

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	$10,654		$10,654	Less than 1 year
Repurchase agreements		$7,018	7,018	Less than 1 year
Money market funds	68,344		68,344	Less than 1 year
Domestic equity	298		298	Less than 1 year
Mutual funds	93,928		93,928	1-5 years
U.S. Treasuries		26,036	26,036	1-5 years
Total cash, cash equivalents and short-term investments	$173,224	$33,054	$206,278	

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 15% of total portfolio assets may be invested in any single fund and no more than 20% of the pool may be invested with any single bank, fund manager, or investment group unless approved by the USNH Board of Trustees' Finance Committee for Investments. Foreign currency risk is mitigated by limiting global equity investments in publicly 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, 2018.

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 2018.

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, 2018, 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 Measured at NAV	Total
	Level 1	Level 2		
Endowment and similar investments - campuses				
Money market	$14,671			$14,671
Domestic equity	106,777		$57,801	164,578
International equity	31,617		58,979	90,596
Global fixed income	17,554	$36,511		54,065
Inflation hedging assets		8,213	10,222	18,435
Hedge funds:				
Fund of Funds			36,391	36,391
Event-Driven			33,192	33,192
Equity Hedge			73,076	73,076
Distressed/Restructuring			15,347	15,347
Private equity & non-marketable real assets			26,799	26,799
Funds held in trust		16,215		16,215
Total endowment and similar investments - campuses	170,619	60,939	311,807	543,365
Endowment and similar investments - affiliated entities				
Money market	9,408			9,408
Domestic equity	24,193		33,573	57,766
International equity	12,865		39,699	52,564
Global fixed income	21,359		4,718	26,077
Inflation hedging assets	4,006	9,300	453	13,759
Hedge funds:				
Equity Hedge			15,029	15,029
Distressed/Restructuring			31,089	31,089
Diversified			16,437	16,437
Private equity & non-marketable real assets			15,788	15,788
Total endowment and similar investments - affiliated entities	71,831	9,300	156,786	237,917
Total endowment and similar investments	$242,450	$70,239	$468,593	$781,282

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, 2018, fixed income securities had maturities up to 29 years and carried ratings ranging from AAA to A3. The mutual fund investments held in the endowment pools are not rated.

As of June 30, 2018, USNH had two equity hedge funds in a lock-up period set to expire in 7 months. As of June 30, 2018, University of New Hampshire Foundation, Inc. had one distressed hedge fund with a lock-up period set to expire in 10 months. Hedge funds, private equity and real estate funds classified as illiquid have no ability to be redeemed. For USNH, of the 30 funds classified as illiquid, ten are currently in liquidation; two are expected to start liquidation within the next year; nine are expected to start liquidation in 2 to 15 years, and nine currently have no expected liquidation dates. For UNHF, fourteen funds are classified as illiquid and are expected to be liquidated over the next one to 13 years. One of the funds classified as illiquid can be redeemed in 3 years.

As of June 30, 2018, USNH has two outstanding investment liquidation requests which have been limited by the respective fund managers. Management of the fund in which USNH has the largest of these balances has approved a plan to fully liquidate all balances by early 2019 with the anticipated holdback distributed by the end of 2019. USNH's balance in that fund was $369,000 as of June 30, 2018. Plans have not been com-

municated for the remaining fund. USNH's balance in the remaining fund totaled $92,000 as of June 30, 2018. The estimated fair values based on June 30 of the two investments at June 30, 2018 are $461,000. It is uncertain when, or if, the funds will be fully collected at the NAV recorded.

Unfunded commitments with various private equity and similar alternative investment funds totaled $30.3 million for USNH and $23.9 million for UNHF at June 30, 2018. This compares to $15.4 million and $17.4 million, respectively at June 30, 2017.

3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2018 (expressed in thousands):

	Governmental Activities	Business-Type Activities	Total	Major Component Unit
Short-Term Receivables				
Taxes:				
Meals and Rooms	$35,234		$35,234	
Business Taxes	176,252		176,252	
Tobacco	10,868		10,868	
Real Estate Transfer	16,295		16,295	
Interest & Dividends	23,990		23,990	
Communications	3,605		3,605	
Utility Property Tax	20,700		20,700	
Gasoline Road Toll	11,275		11,275	
Subtotal	298,219		298,219	
Other Receivables:				
Turnpike System		18,116	18,116	
Liquor Commission		7,123	7,123	
Lottery Commission		3,926	3,926	
Unemployment Trust Fund		51,251	51,251	
Internal Service Fund	12,518		12,518	
Federal Grants	328,198		328,198	$16,296
Local Grants	41,382		41,382	
Miscellaneous	106,250		106,250	7,827
Short Term Portion Of SRF Loans Receivable		26,913	26,913	
Short Term Portion Of Note/Pledge Receivable				6,010
Subtotal	488,348	107,329	595,677	30,133
Total Current Receivables (Gross)	786,567	107,329	893,896	30,133
Long-Term Receivables				
SRF Loans Receivable		419,037	419,037	
Miscellaneous	13,728		13,728	
Note/Pledge Receivable				28,991
Total Long Term Receivables (Gross)	13,728	419,037	432,765	28,991
Allowance for Doubtful Accounts	(48,917)	(40,242)	(89,159)	(8,915)
Total Receivables (Net)	$751,378	$486,124	$1,237,502	$50,209

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 $6.9 million for the year ended June 30, 2018.

Unearned Revenue:

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2018, unearned revenue reported in governmental funds was $88.4 million, and in business-type activities was $19.8 million.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$552,834	$5,514	$(741)	$557,607
Construction in Progress	231,637	159,435	(153,895)	237,177
Work in Progress Computer Software	83,707	16,460	(10,255)	89,912
Total Capital Assets not being depreciated	868,178	181,409	(164,891)	884,696
Other Capital Assets:				
Equipment & Computer Software	346,352	37,801	(16,298)	367,855
Buildings & Building Improvements	875,465	64,276	(4,364)	935,377
Land Improvements	123,943		(919)	123,024
Infrastructure	3,756,810	98,704	(644)	3,854,870
Total Other Capital Assets	5,102,570	200,781	(22,225)	5,281,126
Less accumulated depreciation for:				
Equipment & Computer Software	(298,314)	(24,144)	15,319	(307,139)
Buildings & Building Improvements	(432,838)	(24,904)	2,934	(454,808)
Land Improvements	(98,530)	(2,108)	393	(100,245)
Infrastructure	(2,095,955)	(55,962)	318	(2,151,599)
Total Accumulated Depreciation	(2,925,637)	(107,118)	18,964	(3,013,791)
Other Capital Assets, Net	2,176,933	93,663	(3,261)	2,267,335
Governmental Activities Capital Assets, Net	$3,045,111	$275,072	$(168,152)	$3,152,031
Business-Type Activities:				
Turnpike System:				
Capital Assets not being depreciated:				
Land & Land Improvements	$101,714	$355	$(300)	$101,769
Construction in Progress	71,330	25,075	(33,007)	63,398
Capital Assets not being depreciated	173,044	25,430	(33,307)	165,167
Other Capital Assets:				
Equipment & Computer Software	62,846	1,737	(645)	63,938
Buildings & Building Improvements	14,477	333	(37)	14,773
Land Improvements	2,003			2,003
Infrastructure	1,059,664	40,434	(5,461)	1,094,637
Total Other Capital Assets	1,138,990	42,504	(6,143)	1,175,351
Less accumulated depreciation for:				
Equipment	(50,726)	(3,162)	645	(53,243)
Buildings & Building Improvements	(3,183)	(357)		(3,540)
Land Improvements	(299)	(100)		(399)
Infrastructure	(342,483)	(21,495)	3,894	(360,084)
Total Accumulated Depreciation	(396,691)	(25,114)	4,539	(417,266)
Turnpike Capital Assets, Net	$915,343	$42,820	$(34,911)	$923,252
Liquor:				
Capital Assets not being depreciated:				
Land	$2,002			$2,002
Construction In Progress	4,133	4,624	(2,830)	5,927
Work In Progress Computer Software	3,603	3,200		6,803
Total Capital Assets not being depreciated	9,738	7,824	(2,830)	14,732
Other Capital Assets:				
Equipment	10,016	2,194	(306)	11,904
Buildings & Building Improvements	36,885	4,235	(28)	41,092
Land Improvements	689			689
Total Other Capital Assets	47,590	6,429	(334)	53,685
Less accumulated depreciation for:				
Equipment	(6,400)	(1,700)	272	(7,828)
Buildings & Building Improvements	(12,866)	(1,464)	28	(14,302)
Land Improvements	(601)	(5)		(606)
Total Accumulated Depreciation	(19,867)	(3,169)	300	(22,736)
Liquor Capital Assets, Net	$37,461	$11,084	$(2,864)	$45,681
Lottery Commission:				
Equipment	$644			$644
Less Accumulated Depreciation for Equipment:	(499)	(95)	22	(572)
Lottery Capital Assets, Net	$145	$(95)	$22	$72

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

Governmental Activities:	
General Government	$9,013
Administration of Justice and Public Protection	17,944
Resource Protection and Development	4,993
Transportation	68,022
Health and Social Services	6,778
Education	368
Total Governmental Activities Depreciation Expense	$107,118

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 requires 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	$15,865		$(277)	$15,588
Building and Building Improvements	1,680,661	134,977	(14,531)	1,801,107
Equipment	132,615	11,153	(5,181)	138,587
Construction in Progress	116,833	61,006	(134,977)	42,862
Subtotal	1,945,974	207,136	(154,966)	1,998,144
Less: Accumulated Depreciation	(826,346)	(65,096)	15,309	(876,133)
Total	$1,119,628	$142,040	$(139,657)	$1,122,011

Contractual Obligations for major construction projects totaled approximately $35.4 million at June 30, 2018.

5. LONG-TERM DEBT

PRIMARY GOVERNMENT

Bonds/Notes Authorized and Unissued: Bonds/Notes authorized and unissued amounted to $743.7 million at June 30, 2018. The proceeds of the bonds/notes will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$301.2
Federal Highway/Garvees	392.3
Turnpike System	50.2
Total	$743.7

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 thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 2018
Governmental Fund Types (General Obligation Bonds):	
April 8, 2010	$41,160
December 10, 2014	27,640
November 30, 2016	12,775
Subtotal	$81,575

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 $0.042 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 $200.0 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, 2018, $102.8 million of TIFIA proceeds had been received under this arrangement, representing a long-term note payable. This compares to $48.0 million as of June 30, 2017. The TIFIA obligation is payable on an interest-only basis initially, with principal payments beginning in 2025. A final principal payment schedule will be established once all proceeds have been drawn against the loan. Interest paid during the fiscal year ended June 30, 2018 was $721 thousand.

On July 13, 2017, the State issued $4.3 million of general obligation capital improvement bonds. The bonds were sold via private placement with the New Hampshire Municipal Bond Bank (NHMBB). The proceeds are being used to finance various capital projects of the State. The NHMBB holds the bonds as investments in its Debt Service Reserve Fund.

The State issued $66.5 million General Obligation Capital Improvement Bonds 2017 Series B on December 6, 2017, of which $57.1 million was for governmental activities and $9.4 million was for Liquor projects, through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 2.42% with coupons ranging from 3.00% to 5.00% and with final maturity on 12/31/37. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

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	Increases	Decreases	Ending Balance	Current	Non Current
General Obligation Bonds Payable	$829,432	$70,760	$92,164	$808,028	$88,399	$719,629
Federal Highway Grant Anticipation Bonds	137,985		15,078	122,907	13,620	109,287
Notes Payable	47,989	54,768		102,757		102,757
Compensated Absences	90,136	2,594	1,296	91,434	11,887	79,547
Claims Payable	50,707	282,970	287,430	46,247	26,097	20,150
Net Pension Liability	1,029,774	29,323	95,983	963,114		963,114
Other Postemployment Benefits Payable	2,663,387	12,805	595,552	2,080,640		2,080,640
Pollution Remediation Obligation	51,462	1,345	2,846	49,961	4,303	45,658
Capital Lease	6,528	4,815	1,899	9,444	1,661	7,783
Advance Construction Commitments	562		287	275	275	
Total Governmental	4,907,962	459,380	1,092,535	4,274,807	146,242	4,128,565
Business-Type Activities						
Turnpike System						
Revenue Bonds	401,280		20,738	380,542	27,110	353,432
Pollution Remediation Obligation	5,346	232	1,316	4,262	575	3,687
Claims & Compensated Absences Payable	2,031	989	322	2,698	374	2,324
Other Postemployment Benefits Payable	40,694	1,023	9,531	32,186		32,186
Net Pension Liability	13,757	916	798	13,875		13,875
Total	463,108	3,160	32,705	433,563	28,059	405,504
Liquor Commission						
General Obligation Bonds Payable	19,697	9,407	1,542	27,562	2,107	25,455
Capital Lease	310		56	254	71	183
Claims & Compensated Absences Payable	4,363	99	282	4,180	531	3,649
Other Postemployment Benefits Payable	82,149	223	19,467	62,905		62,905
Net Pension Liability	27,540	839	2,954	25,425		25,425
Total	134,059	10,568	24,301	120,326	2,709	117,617
Lottery Commission						
Claims & Compensated Absences Payable	517	440	484	473	76	397
Other Postemployment Benefits Payable	20,943	81	4,880	16,144		16,144
Net Pension Liability	4,948	64	610	4,402		4,402
Total	26,408	585	5,974	21,019	76	20,943
State Revolving Fund Programs						
General Obligation Bonds Payable	18,213		2,831	15,382	2,078	13,304
Claims & Compensated Absences Payable	968	60		1,028	134	894
Other Postemployment Benefits Payable	7,353	408	1,773	5,988		5,988
Net Pension Liability	6,421	206	516	6,111		6,111
Total	32,955	674	5,120	28,509	2,212	26,297
Total Business-Type	$656,530	$14,987	$68,100	$603,417	$33,056	$570,361

Note: Beginning balances above reflect restated values for other postemployment benefits due to implementation of GASB 75.

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, 2018, 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, 2018, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $158.0 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 seven 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 $50.0 million and $4.3 million were reported for governmental activities and business-type activities, respectively, at June 30, 2018. 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
2019	$67,648	$9,482	$13,620	$11,269	**$102,019**	$2,107	$2,078	$27,110	$133,314	$57,012	$6,652	**$183,674**
2020	65,187	8,168	14,300	11,178	**98,833**	2,124	2,077	30,040	133,074	$50,679	6,534	**177,219**
2021	56,982	7,386	15,000	8,110	**87,478**	2,123	2,072	24,145	115,818	$44,451	6,383	**153,886**
2022	50,913	8,400	14,400	8,060	**81,773**	2,020	2,072	26,285	112,150	$39,241	6,037	**145,354**
2023	43,488	7,534	14,790	7,199	**73,011**	1,815	2,072	21,650	98,548	$33,931	5,471	**127,008**
2024-2028	161,992	29,836	46,610	33,775	**272,213**	8,047	2,340	70,520	353,120	$110,260	17,906	**445,474**
2029-2033	74,322	8,866		13,017	**96,205**	6,326	1,669	57,695	161,895	$49,450	7,648	**203,697**
2034-2038	27,071	4,358		2,552	**33,981**	3,000	1,002	60,020	98,003	$21,127	3,681	**115,449**
2039-2043								45,500	45,500	$3,994	349,806	**(300,312)**
Subtotal	**$547,603**	**$84,030**	**$118,720**	**$95,160**	**$845,513**	**$27,562**	**$15,382**	**$362,965**	**$1,251,422**	**$410,145**	**$410,118**	**$1,251,449**
Unamortized (Discount) / Premium	81,235		4,187		85,422			17,577	102,999			**102,999**
Total	**$628,838**	**$84,030**	**$122,907**	**$95,160**	**$930,935**	**$27,562**	**$15,382**	**$380,542**	**$1,354,421**	**$410,145**	**$410,118**	**$1,354,448**

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 2018, 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 2018 were $8.7 million, of which $8.1 million were recorded as current year expenses and $0.6 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 $479.3 million; capital lease obligations of $8.9 million; deferred obligations interest swaps of $18.3 million; accrued employee benefits and compensated absences of $32.7 million; other postemployment benefits of $89.7 million; and other liabilities of $18.8 million (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	$678,536	$121,034	$151,945	$647,625	$35,722	$611,903

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
2019	$21,053	$16,581	$37,634
2020	24,288	17,487	41,775
2021	25,400	16,772	42,172
2022	28,760	15,698	44,458
2023	23,902	14,737	38,639
2024-2028	106,690	60,144	166,834
2029-2033	100,250	40,396	140,646
2034-2038	83,695	19,640	103,335
2039-2043	24,550	7,592	32,142
2044-2048	19,280	1,816	21,096
Subtotal	457,868	210,863	668,731
Unamortized Discounts/Premium, net	30,319		30,319
Total	$488,187	$210,863	$699,050

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, 2018 are as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Primary Government
Deferred outflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	$189,887	$11,928	$201,815
New Hampshire Judicial Retirement Plan	8,125		8,125
Total pension related amounts	198,012	11,928	209,940
OPEB related amounts:			
Trusted OPEB Plan	9,537		9,537
Non Trusted OPEB Plan	46,285	3,709	49,994
Total OPEB related amounts	55,822	3,709	59,531
Loss on refunding of debt, net	13,264	880	14,144
Total deferred outflows of resources	$267,098	$16,517	$283,615
Deferred inflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	$43,451	$2,956	$46,407
New Hampshire Judicial Retirement Plan	8,333		8,333
Total pension related amounts	51,784	2,956	54,740
OPEB related amounts:			
Trusted OPEB Plan	276		276
Non Trusted OPEB Plan	591,763	35,651	627,414
Total OPEB related amounts	592,039	35,651	627,690
Total deferred inflows of resources	$643,823	$38,607	$682,430

The components of deferred inflows of resources related to the governmental funds at June 30, 2018 are as follows (expressed in thousands):

	General	Highway	Education	Total Governmental Funds
Deferred inflows of resources:				
Taxes considered unavailable	$97,867		$65,800	$163,667
Local assistance	9,761			9,761
Other loans	1,584			1,584
Indigent representation advances	4,021			4,021
Banking assessments	957			957
Miscellaneous fees & fines	496	1,325		1,821
Total deferred inflows of resources	$114,686	$1,325	$65,800	$181,811

MAJOR COMPONENT UNIT

The University System of New Hampshire's deferred outflows and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

Deferred outflows of resources:	
Accumulated decrease in fair value of hedging derivatives	$18,294
Accounting loss on debt refinancing, net	9,770
Changes of assumptions:	
Operating Staff Retirement Plan	179
Additional Retirement Contribution Program	22
Net Difference between projected and actual earnings:	
Operating Staff Retirement Plan	74
Benefit payments subsequent to the measurement date:	
Postretirement Medical Plan	3,097
Total deferred outflows of resources	$31,436

Deferred inflows of resources:	
Accounting gain on debt financing, net	$616
Annuities unconditional remainder interest	1,753
Changes of assumptions:	
Postretirement Medical Plan	4,343
Additional Retirement Contribution Program	4
Difference between expected and actual experience:	
Operating Staff Retirement Plan	4
Postretirement Medical Plan	1,351
Additional Retirement Contribution Program	629
Total deferred inflows of resources	$8,700

7. RISK MANAGEMENT AND INSURANCE

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

Principle of Self-insurance

As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that provisions of law require the purchase of commercial insurance or a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public. In such instances, the State may elect to purchase commercial insurance. There are approximately 26 such commercial insurance programs in effect. These include, but are not exclusive to, state owned real property insurance, fleet automobile liability, inland marine insurance, foster parent liability, ski area liability for Cannon Mountain, data security and privacy cyber liability insurance, 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. As of June 30, 2018, there are no outstanding fleet claims that are currently expected to exceed the policy coverage. The State's exposure per claimant is limited by law to a total of $475 thousand under 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 (the 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 $16.9 million as of June 30, 2018. 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 2018, this reserve equaled $17.6 million for the Fund. The State maintains a reserve for four plans in the Fund: Actives, Troopers, Retirees, and Dental. The Trooper plan is reported as part of the Active plan, however, the Trooper component of the Active reserve amount represents 76% of the estimated annual claims and administrative expenses for the Trooper health plan account due to its small member size (approximately 805 members), which equaled $3.0 million for fiscal year 2018. The Active (with Trooper), Retiree, and Dental reserves totaled $12.7 million, $4.5 million, and $0.4 million, respectively. Outside of the Trooper component, the Active, Retiree, and Dental accounts maintained a reserve of 5%, 5%, and 3%, respectively, of the estimated annual claims and administrative expenses. 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 2018 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 $30.3 million as of June 30, 2018.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2017 and 2018 (expressed in thousands):

Governmental Activities	6/30/2016 Balance	Increases	Decreases	6/30/2017 Balance	Increases	Decreases	6/30/2018 Balance	Current	Long-Term
Workers Compensation Claims Payable	$25,873	$7,287	$6,390	$26,770	$7,512	$7,530	$26,752	$6,602	$20,150
Health Claims Payable*	21,193	274,647	271,903	23,937	275,458	279,900	19,495	19,495	
Total	47,066	281,934	278,293	50,707	282,970	287,430	46,247	26,097	20,150
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable	1,015		224	791	989	254	1,526	222	1,304
Total	1,015		224	791	989	254	1,526	222	1,304
Liquor Commission									
Workers Compensation Claims Payable	2,640	372	806	2,206	69	282	1,993	247	1,746
Total	2,640	372	806	2,206	69	282	1,993	247	1,746
Lottery Commission									
Workers Compensation Claims Payable	1			1	16	9	8	8	
Total	1			1	16	9	8	8	
Total Business-Type	$3,656	$372	$1,030	$2,998	$1,074	$545	$3,527	$477	$3,050

* 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, 2018 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$319	Turnpike System	$319
General Fund	2,998	Unemployment Compensation	2,998
General Fund	26,985	Non-Major Fund	26,985
Non-Major Fund	6,781	Liquor Commission	6,781
Liquor Commission	367	General Fund	367
Turnpike System	155	General Fund	155
Turnpike System	169	Highway Fund	169
Turnpike System	127	Liquor Commission	127
Education Fund	1,284	Lottery Commission	1,284
Lottery Commission	419	Liquor Commission	419
Total	$39,604	Total	$39,604

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 $10.9 million from business-type activities represents the "internal balances" amount on the statement of net position. The $28.0 million between governmental funds, and the $0.7 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	Highway Fund	Education Fund	Non-Major Funds		Total Governmental Fund
Governmental Funds						
General Fund						
Highway Fund	$961			$1,881		$2,842
Non-Major Funds	3,550					3,550
Total Governmental Funds	* 4,511	* -	-	* 1,881	*	6,392
Proprietary - Enterprise Funds						
Liquor Commission	156,002					156,002
Lottery Commission			87,279			87,279
Unemployment Compensation	13,805					13,805
Total Proprietary - Enterprise Funds	$169,807		$87,279			$257,086

* 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 $87.3 million to fund education
- Transfer of Liquor Commission profits of $149.2 million to the General Fund for government operations and $6.8 million to the general fund pursuant to RSA 176:16, III for the Alcohol Abuse Prevention and Treatment Fund.

Pursuant to RSA 260:61, $0.9 million was transferred from the Highway Fund to the Fish and Game Fund for the Bureau of Off Highway Recreational Vehicle (BOHRV) Grant.

Pursuant to RSA 260:60, $1.9 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General Fund and Fish & Game Fund.

Transfer of Unemployment Compensation Contingency Fund of $13.8 million to the General Fund.

10. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $81.9 million at June 30, 2018. This represents total obligations of $262.6 million less $180.7 million in estimated federal aid.

Other Contractual Commitments: Encumbrances by fund for the State at June 30, 2018, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	$59.3
Highway Fund	8.2
Non-Major Governmental Funds	0.2
	$67.7

11. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System ("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 11.08% of gross payroll for Group I members, 27.79% of gross payroll for Group II firefighter members, and 25.33% of gross payroll for Group II police officer members.

The State's required and actual contributions for the year ended June 30, 2018 were $87.6 million, which included an amount for other postemployment benefits of $9.4 million.

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

As of June 30, 2018, the State reported a liability of $975.4 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll the total pension liability forward to June 30, 2017. 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 19.83%, which was an increase of 36 basis points from its proportion measured as of the previous measurement date. For the year ended June 30, 2018, the State recognized total pension expense of $102.6 million.

As of June 30, 2018, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to pensions in the primary government of $121.6 million (excluding $78.3 million in contributions subsequent to the measurement date) and $44.5 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		$12,423
Differences between expected and actual experience	$2,212	12,415
Changes in assumptions	97,947	
Changes in employer proportion	21,420	19,613
Contributions subsequent to the measurement date	78,280	
Total	$199,859	$44,451

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, 2019. 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)
2019	$17,038
2020	41,979
2021	31,295
2022	(13,184)
	$77,128

Actuarial Assumptions: NHRS total pension liability, measured as of June 30, 2017, was determined by a roll forward of the actuarial valuation as of June 30, 2016, for which the following actuarial assumptions were used:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 - June 30, 2015.

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 2017:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return: 2017
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
International Equities (unhedged)	13.00%	4.50%
Emerging International Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute return fixed income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total real estate investments	10.00%	
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. 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, 2017 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 6.25%	Current single rate assumption 7.25%	1% Increase to 8.25%
$1,285.1	$975.4	$721.7

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	94.89%	1.42%	2.61%	0.45%	0.63%	5.11%	100.00%
Net pension liability	$925,633	$13,875	$25,425	$4,402	$6,111	$49,813	$975,446
Pension expense	96,859	1,870	2,733	392	701	5,696	$102,555
Deferred outflows of resources representing contributions subsequent to the measurement date	74,470	950	2,030	330	500	3,810	78,280
Deferred outflows of resources representing the changes in employer proportion	20,347	289	552	98	134	1,073	21,420
Deferred outflows of resources representing changes in assumptions	92,966	1,303	2,604	467	607	4,981	97,947
Deferred outflows of resources representing the differences between expected and actual experience	2,099	29	59	11	14	113	2,212
Deferred inflows of resources representing the differences between expected and actual experience	11,803	159	317	58	78	612	12,415
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	11,773	240	293	42	75	650	12,423
Deferred inflows of resources representing the changes in employer proportion	18,625	258	516	93	121	988	19,613
Deferred outflows of resources representing change in proportion within the entity	5	1,109	642	63	137	1,951	1,956
Deferred inflows of resources representing change in proportion within the entity	1,250	118	364	198	26	706	1,956
Amortization of deferred amounts:							
2019	15,766	477	593	52	150	1,272	17,038
2020	39,478	797	1,231	171	302	2,501	41,979
2021	29,322	693	946	125	209	1,973	31,295
2022	(12,600)	(12)	(403)	(100)	(69)	(584)	(13,184)
Total	71,966	1,955	2,367	248	592	5,162	77,128
Sensitivity analysis:							
Net pension liability at 6.25% discount rate	1,219,618	18,279	33,496	5,657	8,051	65,483	1,285,101
Net pension liability at 8.25% discount rate	684,842	10,265	18,811	3,257	4,521	36,854	721,696

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, 2017, the following members were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	66
Inactive members entitled to but not yet receiving benefits	1
Active or vested members	58
Total members	125

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, 2018, State contributions to the NHJRP totaled $6.3 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2018, the State reported a net pension liability of $37.5 million for the NHJRP. The NHJRP's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Changes in the components of net pension liability for the measurement period ended December 31, 2017 are as follows (in thousands):

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2016	$97,242	$50,172	$47,070
Changes for the year:			
Service cost	3,513		3,513
Interest on total pension liability	6,826		6,826
Effect of differences between expected and actual experience	(10,003)		(10,003)
Effect of changes in actuarial assumptions	4,435		4,435
Benefit payments	(6,601)	(6,601)	
Employer contributions		6,346	(6,346)
Member contributions		745	(745)
Net investment income		7,497	(7,497)
Administrative expenses		(228)	228
Balances as of December 31, 2017	$95,412	$57,931	$37,481

For the year ended June 30, 2018, the State recognized pension expense of $7.5 million for the NHJRP. As of June 30, 2018, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to the NHJRP of $8.1 million and $8.3 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		$1,456
Net difference between expected and actual experience	$871	6,877
Change in assumptions	3,928	
Contributions subsequent to the measurement date	3,326	
Total	$8,125	$8,333

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, 2019. Other 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)
2019	$69
2020	(1,750)
2021	(1,058)
2022	(795)
	$(3,534)

Actuarial Assumptions: The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	1.50% for 2017, 6.78% for 2018, and 2.25% thereafter at 12/31/17
Investment rate of return	6.675%

Mortality rates were based on the RP-2000 Mortality Tables for Employees and Healthy Annuitants with generational projection per Scale BB.

The actuarial assumptions used in the January 1, 2018 valuation were not based on the results of a recent actuarial experience study. The Plan has not had a formal actuarial experience study performed since one performed 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 2017:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	2.575%	0.27%
Core Fixed Income	12.500%	2.29%
U.S. Government Bonds	9.275%	2.92%
U.S. REITs	1.475%	3.27%
Large Cap US Equities	39.075%	3.13%
Small Cap US Equities	5.900%	3.62%
International equity	19.200%	4.11%
Alternatives	10.000%	1.66%

Discount Rate: The single discount rate used to measure the collective total pension liability was 6.675%, which is 0.325 basis points below the 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 6.675%, 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 (5.675%) or 1 percentage point higher (7.675%) than the current discount rate (expressed in thousands):

1% Decrease 5.675%	Current Discount Rate 6.675%	1% Increase 7.675%
$ 46,343	$ 37,481	$ 29,280

OTHER POSTEMPLOYMENT BENEFITS

General Information about the Trusted OPEB Plan

Plan Description: Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, NHRS administers a cost-sharing multiple employer defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type. This plan has been previously defined as the Trusted OPEB plan but is also commonly referred to as "medical subsidy plan". The membership groups are Group II Police Officers and Firefighters and Group I State Employees.

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

Benefits Provided: The Trusted OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employers of its members, or their insurance administrator, toward the cost of health insurance for a qualified retiree, spouse, and certifiably dependent children with a disability who is living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving Trusted OPEB Plan benefits differ for Group I and Group II members. Eligibility for the medical subsidy payment is determined by the relevant RSA's, however, the medical subsidy plan is closed to new entrants. The State is a recipient of these medical subsidy payments on behalf of its former employees.

Contributions: Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. 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 1.07% of gross payroll for Group I members, 4.10% of gross payroll for Group II firefighter members, and 4.10% of gross payroll for Group II police officer members. Employees are not required to contribute to the Trusted OPEB Plan.

The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the medical subsidy plan. Employer contributions made by the State to NHRS for the medical subsidy component amounted to $9.0 million in fiscal year 2018 and $12.0 million in fiscal year 2017.

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the State reported a liability of $87.3 million for its proportionate share of the net Trusted OPEB Plan liability. The net Trusted OPEB Plan liability was measured as of June 30, 2017, and the total Trusted OPEB Plan liability used to calculate the net Trusted OPEB Plan liability was determined by an actuarial valuation as of June 30,2016 and rolled forward to June 30, 2017. The roll-forward procedures increased the June 30, 2016 actuarial accrued liability with normal cost and interest and decreased it with actual benefit payments and administrative expenses paid. The State's proportion of the net Trusted OPEB Plan liability was based on the projection of the State's long-term share of contributions to the Trusted OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. As of the measurement date, the State's proportionate share was 19.10 percent. For the year ended June 30, 2018, the State recognized OPEB expense of $7.8 million.

As of June 30, 2018, The State reported deferred outflows and inflows of resources on its government-wide financial statements related to OPEB in the primary government of $577 thousand (excluding $9.0 million in contributions subsequent to the measurement date) and $276 thousand, 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		$276
Changes in employer proportion	$577	
Contributions subsequent to the measurement date	8,960	
Total	$9,537	$276

Amounts reported as deferred outflows of resources related to the Trusted OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net Trusted OPEB Plan liability in the year ended June 30, 2019. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to Trusted OPEB Plan will be recognized in OPEB expense as follows:

Year ended June 30,	Amount (in thousands)
2019	$508
2020	(69)
2021	(69)
2022	(69)
	$301

Actuarial Assumptions: The total Trusted OPEB Plan liability, measured as of June 30, 2017, was determined by a roll forward of the actuarial valuation as of June 30, 2016, for which the following actuarial assumptions were used:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	N/A - benefits are fixed stipends

Mortality rates were based on the RP-2014 Healthy Annuitant Employee generational mortality tables for males and females with creditable adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 - June 30, 2015.

Long-Term Rates of Return: The long-term expected rate of return on Trusted OPEB 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 2017:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return: 2017
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
International Equities (unhedged)	13.00%	4.50%
Emerging International Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute return fixed income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total real estate investments	10.00%	
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total Trusted OPEB Plan liability was 7.25%. 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 actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Trusted OPEB Plan'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 Trusted OPEB Plan liability.

The following table illustrates the sensitivity of the State's proportionate share of the net Trusted OPEB Plan liability to changes in the discount rate. In particular, the table presents the State's proportionate share of the Trusted OPEB Plan liability measured at June 30, 2017 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 thousands):

1% Decrease to 6.25%	Current single rate assumption 7.25%	1% Increase to 8.25%
$95,027	$87,317	$80,637

General Information about the Non Trusted OPEB Plan

Plan Description: RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single employer (primary government with component units) defined postemployment benefit plan, previously defined as the Non Trusted OPEB Plan. 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, previously defined as the Fund, a single-employer group health fund, which is the state's self-insurance internal service fund implemented in

October 2003 for active state employees and retirees. The Fund covers 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 medical subsidy payment described earlier, which totaled approximately $12.0 million, $12.3 million and $12.8 million, respectively, for the fiscal years ended June 30, 2018, 2017 and 2016. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees covered by benefit terms: As of June 30, 2017 the following employees were covered by the benefit terms:

Retired members and beneficiaries currently receiving benefits	12,125
Retired employees entitled to but not yet receiving benefit payments	536
Active employees	10,367
	23,028

Total OPEB Liability

The primary government's proportionate share of the total Non Trusted OPEB Plan liability of $2,110.5 million was measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2016, adjusted forward. The primary government's proportionate share of the total Non Trusted OPEB Plan liability is the ratio attributable to each fund/component unit based on each participant's calculated liability. As of the measurement date, the primary government's proportion was 94.67%, which was a decrease of 6 basis points from its proportion measured as of the previous measurement date. Subsequent to the measurement date, the State decided to implement a Medicare Advantage plan, effective January 1, 2019. It is estimated that this change will decrease the overall total Non Trusted OPEB Plan liability by $170 million.

Changes in the total OPEB Liabilty: The total OPEB liability at June 30, 2018 is $2,229.4 million of which the primary government's proportionate share is $2,110.5 million.

(dollars in thousands)	**Total OPEB Liability**
Balance at 6/30/16	$2,875,711
Changes for the year:	
Service cost	111,334
Interest	84,315
Differences between expected and actual experience	(7,886)
Changes in assumptions	(784,281)
Benefit payments	(49,772)
Net changes	(646,290)
Balance at 6/30/17	$2,229,421

Actuarial Assumptions and other inputs: The total Non Trusted OPEB Plan liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25%
Salary increases	Group I employees: 13.25% decreasing over 9 years to an ultimate level of 3.75% Group II employees: 25.25% decreasing over 8 years to an ultimate level of 4.25%
Discount rate	3.58% as of June 30, 2017 and 2.85% as of June 30, 2016
Healthcare cost trend rates	Medical: under 65, 7.4% for one year then 4.5% per year; over 65, 1.4% for one year then 4.5% per year
	Prescription Drug: under 65, 12.8% for one year then 9.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year; over 65, (6.1)% for one year then 9.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year
	Contributions: Retiree contributions are expected to increase with a blended medical and prescription drug trend

The discount rate was based on the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index (2.85% as of June 30, 2016 and 3.58% as of June 30, 2017). This determination is in accordance with GASB Statement No 75.

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table projected generationally for males and females with Scale MP-2015.

The assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study by New Hampshire Retirement System for the period July 1, 2010 through June 30, 2015.

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations.

Sensitivity of the total Non Trusted OPEB Plan liability to changes in the discount rate:

The following presents sensitivity of the primary government's proportionate share of the total Non Trusted OPEB Plan liability to changes in the discount rate. In particular, the table presents the primary government's proportionate share of the Total Non Trusted OPEB Plan liability measured at June 30, 2017 if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (in thousand):

1% Decrease to 2.58%	Current Discount Rate 3.58%	1% Increase to 4.58%
$2,468,500	$2,110,546	$1,814,483

Sensitivity of the total Non Trusted OPEB Plan liability to changes in the healthcare cost trend rates:

The following presents sensitivity of the primary government's proportionate share of the total Non Trusted OPEB Plan liability to changes in the healthcare cost trend rates. In particular, the table presents the primary government's proportionate share of the total Non Trusted OPEB Plan liability measured at June 30, 2017, if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare trend cost rates (in thousands):

1% Decrease	Current Trend Rate	1% Increase
$1,769,703	$2,110,546	$2,556,234

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the primary government recognized OPEB expense of $59.98 million. As of June 30, 2018, the primary government reported deferred outflows and inflows of resources on its government-wide financial statements related to the Non Trusted OPEB Plan of $1.1 million (excluding $48.9 million in contributions subsequent to the measurement date) and $627.4 million, respectively, from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$6,222
Changes in assumptions		618,720
Changes in employer proportion	$1,122	2,472
Contributions subsequent to the measurement date	48,872	
Total	$49,994	$627,414

Amounts reported as deferred outflows of resources related to the Non Trusted OPEB Plan resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total Non Trusted OPEB Plan liability in the year ended June 30, 2019. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to the Non Trusted OPEB Plan will be recognized in OPEB expense as follows:

Year ended June 30,	Amount (in thousands)
2019	$(125,258)
2020	(125,258)
2021	(125,258)
2022	(125,258)
2023	(125,260)
	$(626,292)

OPEB Allocations: The Statewide amounts for the total Non Trusted OPEB Plan liability, deferred outflows or resources, deferred inflows of resources, and OPEB expense detailed above were allocated among governmental activities, business-type activities, and component units based on each reporting unit's share of the participants within the Non Trusted OPEB Plan. OPEB 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	89.41%	1.44%	2.82%	0.72%	0.27%	5.26%	94.67%
Total OPEB liability	$1,993,323	$32,186	$62,905	$16,144	$5,988	$117,223	$2,110,546
OPEB expense	56,602	1,056	1,627	441	233	3,357	$59,959
Deferred outflows of resources representing contributions subsequent to the measurement date	46,158	745	1,456	374	139	2,714	48,872
Deferred inflows of resources representing changes in assumptions	584,355	9,436	18,441	4,733	1,755	34,365	618,720
Deferred inflows of resources representing the differences between expected and actual experience	5,876	95	185	48	18	346	6,222
Deferred outflows of resources representing change in proportion within the entity	127	686			309	995	1,122
Deferred inflows of resources representing change in proportion within the entity	1,532		841	99		940	2,472
Amortization of deferred amounts:							
2019	(118,327)	(1,769)	(3,893)	(976)	(293)	(6,931)	(125,258)
2020	(118,327)	(1,769)	(3,893)	(976)	(293)	(6,931)	(125,258)
2021	(118,327)	(1,769)	(3,893)	(976)	(293)	(6,931)	(125,258)
2022	(118,327)	(1,769)	(3,893)	(976)	(293)	(6,931)	(125,258)
2023	(118,328)	(1,769)	(3,895)	(976)	(292)	(6,932)	(125,260)
Total	(591,636)	(8,845)	(19,467)	(4,880)	(1,464)	(34,656)	(626,292)
Sensitivity analysis:							
Total OPEB liability at 2.58% discount rate	2,332,176	36,845	73,772	18,685	7,022	136,324	2,468,500
Total OPEB liability at 4.58% discount rate	1,713,174	28,132	54,077	14,029	5,071	101,309	1,814,483
Total OPEB liability at - 1% healthcare cost trend rates	1,670,463	27,216	53,307	13,934	4,783	99,240	1,769,703
Total OPEB liability at + 1% healthcare cost trend rates	2,415,656	38,631	75,353	18,978	7,616	140,578	2,556,234

Pease Development Authority	Community Development Finance Authority	Community College System of New Hampshire	Component Units	Total Government
0.35%	0.02%	4.97%	5.33%	100.00%
$7,806	$355	$110,714	$118,875	$2,229,421
298	11	3,353	3,662	$63,621
181	8	2,564	2,753	51,625
2,288	104	32,456	34,848	653,568
23	1	326	350	6,572
375	5	970	1,350	2,472
				2,472
(387)	(20)	(6,363)	(6,770)	(132,028)
(387)	(20)	(6,363)	(6,770)	(132,028)
(387)	(20)	(6,363)	(6,770)	(132,028)
(387)	(20)	(6,363)	(6,770)	(132,028)
(388)	(20)	(6,360)	(6,768)	(132,028)
(1,936)	(100)	(31,812)	(33,848)	(660,140)
8,899	414	126,795	136,108	2,604,608
6,816	306	96,978	104,100	1,918,583
6,520	302	95,264	102,086	1,871,789
9,476	422	130,459	140,357	2,696,591

Summary of Employee Benefit Plans:

(Expressed in Thousands)	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Business-type Activities	University of New Hampshire	Non-Major Component Units	Component Units
Pension									
New Hampshire Retirement System	$925,633	$13,875	$25,425	$4,402	$6,111	$49,813		$67,938	$67,938
New Hampshire Judicial Retirement Plan	37,481								
Net Pension Liability	$963,114	$13,875	$25,425	$4,402	$6,111	$49,813		$67,938	$67,938
OPEB									
Trusted OPEB Plan	$87,317							$5,896	$5,896
Non Trusted OPEB Plan	1,993,323	32,186	62,905	16,144	5,988	117,223		118,875	118,875
Other *							$83,975		83,975
Other Post Employment Benefits Payable	$2,080,640	$32,186	$62,905	$16,144	$5,988	$117,223	$83,975	$124,771	$208,746

* Does not include short term portion of OPEB classified as other current liabilities on the Statement of Net Position

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 $77.2 million of financial guarantees outstanding and statutory limits as of June 30, 2018 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2018 Principal	Interest	Total
Municipalities and Political Subdivisions						
Water Pollution Bonds	485-A:7	$50,000	$50,000			
School Construction Bonds	195-C:2	95,000	69,626	$19,982	$5,392	$25,374
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	1,738	21,738
Business Finance Authority (BFA) - Additional State Guarantee	162-A:13; 162-A:10; 162-A:13-a	45,000	**	27,445	324	27,769
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	5,000	**	2,340		2,340
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	115,000	* 67,555	49,785	2,062	51,847
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	$276,391	$69,767	$7,454	$77,221

* Plus Interest

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 2018 for governmental activities and business-type activities were approximately $27.2 million and $8.9 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, 2018 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2018	$10,761	$6,342
2019	9,173	5,700
2020	7,985	5,305
2021	7,269	5,024
2022	5,943	4,680
2023-2027	21,352	13,567
2028-2032	702	4,078
2033-2037		1,421
2038-2042		2
Total	$63,185	$46,119

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, 2018 are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2019	$1,661	$125
2020	1,549	125
2021	1,546	104
2022	1,348	
2023	992	
2024-2028	4,140	
2029-2033	1,477	
Total	12,713	354
Amount Representing Interest	(3,269)	(100)
Present Value of Minimum Lease Payments	$9,444	$254

The assets acquired through capital leases and included in capital assets at June 30, 2018 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$4,710	
Buildings & Building Improvements	4,861	$1,563
Total	9,571	1,563
Less: Accumulated Depreciation	(2,599)	(1,242)
Net	$6,972	$321

14. TAX ABATEMENTS

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens. The State has conducted an analysis of tax abatement programs that meet the definition for disclosure, which are described below:

Economic Revitalization Zone Tax Credit (ERZTC) (RSA 162-N:7)

Description: The authority to enter into Community Reinvestment and Opportunity (CROP) Zone Credit Agreements became effective July 1, 2003. The CROP Zone tax credit was replaced with the ERZTC and shall be available to taxpayers only for tax liabilities arising during the five consecutive tax periods following the signing of the agreement. ERZTC shall be applied against tax due under RSA 77-E, the Business Enterprise Tax (BET). For the purpose of the credit allowed under RSA 77-A:5, XII, the Business Profits Tax (BPT), the ERZTC shall be considered taxes paid under RSA 77-E. ERZTCs shall not be transferable. This tax credit has carryforward provisions.

The ERZTC is a "cascading" tax credit that may be used to reduce a BET liability and, as considered "taxes paid" under RSA 77-E, may then be used to reduce a BPT liability. The amount disclosed below is total the reduction in revenue to the State whether applied against BPT, BET, or both tax liabilities. There were no other commitments made by the State other than the agreement to credit taxes.

Agreement: An agreement between the State and the taxpayer determines the amount of credit awarded and includes provisions such as quality and quantity of full-time jobs to be created, duration of the taxpayer's commitments with respect to the economic revitalization zone, the amount of the taxpayer's investment in the project, and a precise definition of the location of the facility eligible for the credit. There are no provisions to recapture previous credits.

Methodology: Credit used is the amount actually reported by 51 taxpayers and used to offset a tax liability on the New Hampshire BPT return, BET return, or both.

Tax returns filed in fiscal year 2018: The tax credit used against BPT, BET, or both totaled $938,000. The maximum aggregate credit amount allowable for all taxpayers was $825,000.

Education Tax Credit (RSA 77-G)

Description: Chapter 287, Laws of 2012 (SB 372) enacted a law that allows a business organization and business enterprise to make a money donation (up to $400,000 in the first year of the program and $600,000 in the second year of the program) to an approved scholarship organization(s) for which the business organization or business enterprise will receive a tax credit against the BPT and/or BET for 85% of their donation. The donations are used by an approved scholarship organization(s) to grant scholarships for children to attend private schools. The Education Tax Credit Program began January 1, 2013.

This tax credit is not a "cascading" credit and it also does not have any carryforward provisions. The tax credit may only be used to offset tax liabilities incurred in the tax year in which the donation was made.

The amount disclosed below is the total reduction in revenue to the State whether applied against BPT, BET, or both tax liabilities. There were no other commitments made by the State other than the agreement to credit taxes.

Agreement: For each contribution made to a scholarship organization, a business organization or business enterprise may claim the credit on their return per the allowable amount calculated by the Department of Revenue Administration. There are no provisions to recapture previous credits.

Methodology: Credit used is the amount actually reported by 58 taxpayers and used to offset a tax liability on the New Hampshire BET and BPT returns.

Tax returns filed in fiscal year 2018: The tax credit used against BPT, BET or both totaled $381,000. The maximum aggregate credit amount allowable for all taxpayers was $5,100,000.

15. LITIGATION AND OTHER MATTERS

Department of Health and Human Services (DHHS)

NHHA v. Sylvia Matthews Burwell, USDC 15-cv-460-LM

New Hampshire Hospital Association (NHHA) filed a lawsuit against Centers for Medicare & Medicaid Services (CMS) seeking to prevent the application of CMS answers to FAQ's 33 and 34 concerning audit requirements that require hospitals to exclude any payments related to Medicaid recipients from third parties (TPL), including Medicare or private insurance, from claimed uncompensated care, arguing that CMS had engaged in illegal informal rulemaking and that the substance was not authorized by the CMS statute. NHHA requested that the application of the audit requirements related to uncompensated care be enjoined prospectively to future years disproportionate share reporting and calculations

and retroactively to the then pending 2011 audit findings that several million dollars would have to be recouped from the critical care hospitals and several of the major hospitals. The State is not a party to this lawsuit, but has acknowledged that it would be bound by any order issued to CMS, as the State has adopted the CMS requirements for calculation of uncompensated care as the basis for how disproportionate share (DSH) payments are made.

Following a Preliminary Injunction hearing in January 2016, on March 11, 2016 the New Hampshire Federal District Court enjoined CMS from enforcing these audit requirements on procedural grounds for failure to use formal rulemaking and also found a likelihood of success on the merits. The parties filed cross-motions for summary judgment. Oral argument occurred on those motions on September 13, 2016. In August 2016, CMS filed a notice of rulemaking to adopt a rule that would memorialize its position. On April 3, 2017 CMS published notice adopting the final rule, which became effective on June 2, 2017. As a result of the Court's order, not only is recoupment of the 2011 overpayments based on TPL enjoined, but the hospitals were allowed in the current year, and will need to be allowed going forward as long as the injunction is in place, to claim uncompensated care without deducting these third party payments. In fiscal year 2016 this resulted in approximately a $17 million increase in the DSH payments owed to hospitals. On March 3, 2017, the federal court granted the hospitals summary judgment motion in part, finding that CMS did not have authority to adopt these substantive interpretations by FAQ. This final order assumed that CMS could adopt its interpretation through rulemaking. A permanent injunction has been entered. The court rejected a request by the Hospitals challenging the validity of the newly enacted rule in this action. CMS has appealed the portion of the decision rejecting their authority to enforce the FAQ's. Oral argument at the First Circuit Court of Appeal occurred on January 9, 2018. The First Circuit affirmed the lower court decision on April 4, 2018. CMS has not filed an appeal to the Supreme Court of the United States. CMS has filed a motion for clarification which remains pending regarding the permanent injunction issued by the USDC, arguing it is inconsistent with the First Circuit order asking that it be modified to indicate that handling of third party payments is left to the state. While we do not anticipate any significant impact from this remaining motion, even if granted, it is not possible to predict the outcome of the matter at this time.

NHHA v. Centers for Medicare and Medicaid Services (Azar), USDC 1:17-cv-349-JD

On August 10, 2017 the New Hampshire Hospital Association (NHHA) filed a new lawsuit against Centers for Medicare & Medicaid Services (CMS) seeking to challenge the validity of the recent adoption by rule on June 2, 2017 of the polices in FAQ's 33 and 34. (see above case). The rule requires hospitals to exclude any payments related to Medicaid recipients from third parties (TPL), including Medicare or private insurance, from claimed uncompensated care. The Hospitals argue that CMS failed to comply with the Regulatory Flexibility Act and other statutes that require financial impact analysis during rulemaking and that the substance of the rule is not authorized by the CMS statute. The response by CMS has been filed. The State filed a motion to intervene in support of CMS's authority to adopt the rule, which was granted. The case will be decided on summary judgment and the following briefing schedule was set: The Hospitals' opening brief, December 8, 2017; CMS opening brief, February 8, 2018, State's Brief in support of CMS, February 15, 2018; Hospitals' reply brief, February 22, 2018; CMS reply brief March 22, 2018 and any reply by the State or Plaintiffs to new facts or issues raised in the second briefs is due within 10 days of the date of the pleading. Oral argument was set for April 17, 2018.

Similar litigation has been brought against CMS in several other jurisdictions, On February 9, 2018, the Western District of Missouri issued a decision ruling against CMS on this issue and enjoining CMS from enforcing the Final Rule. On March 6, 2018, the D.C. District Court issued a decision which also found the rule exceeds the statutory authority and is invalid. In addition, the D.C Court considered nationwide impact and vacated the rule. CMS has acknowledged that, while the D.C. decision stands, it cannot impose the rule anywhere. CMS has appealed both of the decisions. CMS has requested that oral argument and decision in the New Hampshire federal litigation go forward, but this remains pending at this time.

Unless a stay is obtained by CMS of the D.C District Court order, the CMS rule will not apply at the time the MET and DSH are paid while this litigation remains pending. In May 2018 the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 agreement. As such, although this litigation remains pending, the settlement results in the total level of DSH or other payments generated from the MET tax no longer being dependent on the federal definition of uncompensated care. Therefore, while it is not possible to predict the outcome of this case at this time, it is unlikely that it could have a significant effect on state obligations while the settlement is in place.

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. In May 2018 the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 agreement. Therefore this litigation is completely closed.

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. In May 2018 the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 agreement. Therefore this litigation is completely 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. On May 6, 2017, the court granted DHHS's motion, thereby ending the litigation. Pursuant to RSA 508:10, the Plaintiff has the option to re-file her claims in state court within one year of the May 6, 2017 order**.** In May 2017, the plaintiff filed another lawsuit in state court, alleging wrongful discharge, however, the new claims do not meet the level determined by the state for disclosure in the financial statements.

T.C. et al. v. State of New Hampshire, Department of Health and Human Services, Division of Children, Youth, and Families ("DCYF") et al., Dkt. No. 216-2016-CV-743 (N.H. Super. Ct. Hillsborough North).

In or about October 2016, this lawsuit was filed in New Hampshire state superior court by four plaintiffs, who are identified by the initials T.C., D.C., N.B., and J.B. T.C. and D.C. are the biological grandparents and the adoptive parents of N.B. and J.B. The complaint contained multiple counts of negligence, negligent training and supervision, and breach of fiduciary duty against defendants DCYF and Easter Seals New Hampshire, Inc. The plaintiffs allege that the defendants' negligence in, among other things, permitting the children to have unsupervised visits with their biological parents resulted in the sexual abuse of N.B. and J.B. on multiple occasions. The abuse occurred at the hands of N.B. and J.B.'s biological parents. On or about December 12, 2016, DCYF answered the complaint and also moved to dismiss the plaintiffs' claims against DCYF.

On or about January 6, 2017, the plaintiffs moved to amend their complaint, seeking to add a request for declaratory relief on the interpretation and constitutionality of the confidentiality provisions in RSA 169-C:25 and RSA 170-G:8-a. At the same time, plaintiffs amended their complaint to add claims against a third defendant, the Court Appointed Special Advocates of New Hampshire, Inc. ("CASA"). On or about January 17, 2017, DCYF objected to the motion to amend. By order dated April 12, 2017, the court denied DCYF's motion to dismiss and granted the plaintiffs' motion to amend. On or about September 15, 2017, the plaintiffs filed a second amended complaint, which includes a claim by T.C. and D.C. for negligent infliction of emotional distress against all defendants, including DCYF. On February 27, 2018, two of the four plaintiffs filed a voluntary nonsuit (D.C. both individually and on behalf of N.B.) with regard to its claims against DCYF, and filed a separate action as described below.
In January 2018, following a period of discovery, the parties engaged in settlement negotiations and reached an agreement to settle this lawsuit for a total of $3.375 million. In May 2018, the court approved the settlement. The State thereafter issued the settlement payment to the plaintiffs and, in June 2018, the parties submitted a stipulation for docket markings, thereby terminating the case. This expense has been recorded in the accompanying financial statements.

D.C. et al. v. State of New Hampshire, Department of Health and Human Services, DCYF et al..

As noted above, on or about February 27, 2018, this lawsuit was filed in New Hampshire state superior court by two plaintiffs, who are identified by the initials D.C. and N.B. D.C. is the biological grandparent and the adoptive parent of minor child, N.B. The complaint contained multiple counts of negligence, negligent training and supervision, and breach of fiduciary duty against defendants DCYF and Easter Seals New Hampshire, Inc. The plaintiffs allege that the defendants' negligence in, among other things, permitting the N.B. to have unsupervised visits with the biological parents which resulted in the sexual abuse of N.B. on multiple occasions.
As indicated above, the parties engaged in settlement negotiations and reached an agreement to settle this lawsuit for a total of $3.375 million. In May 2018, the court approved the settlement. The State thereafter issued the settlement payment to the plaintiffs and, in June 2018, the parties

submitted a stipulation for docket markings, thereby terminating the case. This expense has been recorded in the accompanying financial statements.

William Boucher, Individually and as Administrator of the Estate of Brielle Gage v. DCYF.

In November 2017, the plaintiff filed a lawsuit for the wrongful death of Brielle Gage, as well as loss of consortium. Brielle was murdered by her mother in November 2014. The plaintiff (Brielle's biological father), claims that DCYF was negligent in handling her case, which caused her death. This case is currently in discovery. While this case would typically be subject to the statutory cap on damages—and the $50,000 statutory cap for loss of consortium—the plaintiff alleges the Estate is entitled to damages for multiple incidents of harm. It is not possible to predict an outcome of this case at this time.

Christopher Willott, Individually and as Administrator of the Estate of Sadence Willott v. DCYF.

In August 2018, the plaintiff filed a lawsuit for the wrongful death of Sadence Willott, as well as loss of consortium. The plaintiff also alleges negligence stemming from incidents of assault prior to her death. Sadie was murdered by her mother in September 2015. The plaintiff (Sadie's biological father), claims that DCYF was negligent in handling her case, which caused her death in September 2015, as well as various injuries that predate her death. While this case would typically be subject to the statutory cap on damages—and the $50,000 statutory cap for loss of consortium—the plaintiff alleges the Estate is entitled to damages for multiple incidents of harm. It is not possible to predict an outcome of this case at this time.

Confidential potential litigation against DCYF.

In or around July 2018, the State was placed on notice that the plaintiffs intend to bring suit against DCYF alleging violations of RSA 169-C; violations of the New Hampshire Constitution; violations of the U.S. Constitution pursuant to Section 1983; Fraudulent and Negligent Misrepresentation; Intentional Infliction of Emotional Distress; Negligence; Breach of Fiduciary Duty; False Imprisonment; and, Tortious Interference with Parent-Child Relationship, all stemming from the child's underlying case with DCYF. Plaintiff alleges that DCYF was negligent in failing to remove the child from home, resulting in an injury to the child caused by the biological parents. Plaintiff also alleges DCYF was negligent in placing the child in the home of other relatives, where a minor relative committed sexual assault. While this case would typically be subject to the statutory cap on damages the plaintiff alleges there is claim under Section 1983, which allows for damages above the cap. It is not possible to predict an outcome of this threatened litigation at this time.

Additional threatened litigation relating to the Department of Health and Human Services, DCYF.

DCYF has been advised of several claims relating to physical and sexual abuse of children either directly or indirectly under the supervision of DCYF. Individually, other than the litigation described above, none of these claims appear to individually meet the level determined by the state for disclosure in the financial statements. Cumulatively, however, the aggregate of the claims may exceed this level. It is not possible to predict the outcome of these threatened cases at this time.

John Doe, on behalf of himself and all others similarly situated v. Commissioner Jeffrey Myers, Southern New Hampshire Medical Center, and the New Hampshire Circuit Court District Division.

An individual, who was admitted to Southern New Hampshire Medical Center's Emergency Department after a suicide attempt, sued in the Federal District Court for the State of New Hampshire alleging habeas corpus relief, declaratory judgment, and appointment of a class for unconstitutional deprivation of liberty interests and lack of procedural due process based on an alleged systemic practice where individuals who may be experiencing mental health crises are involuntarily detained in hospital emergency rooms without the State providing them with due process, appointed counsel, or an opportunity to contest their "detention." This practice is sometimes referred to as "psychiatric boarding." Plaintiff is represented by the New Hampshire American Civil Liberties Union ("ACLU") who is also asking for class certification for similarly situated individuals in New Hampshire. The ACLU alleges that, as of October 31, 2018, approximately 46 adults and 4 minors were "boarded" in emergency rooms. The State will be defending both the Commissioner and the Circuit Court system.

The complaint includes 4 counts requesting relief: Count I, a class action claim alleging violations of the Fourteenth Amendment to the United State Constitution for deprivation of liberty; Count II, a class action procedural due process claim under the New Hampshire Constitution Part I, Article 15; Count III, a class action claim alleging violations of RSA 135-C:31, I; and Count IV, an individual claim on behalf of John Doe for habeas corpus relief. On November 13, 2018, Count IV was voluntarily dismissed by Plaintiff as he moved to a voluntary stay status at the hospital. The overall relief requested is declaratory judgments regarding the various counts and injunctions to discontinue the alleged violations. There is also an accompanying motion for class certification.

The State accepted service of the complaint and is in the process of negotiating the responsive pleading dates. Objections, a motion to dismiss, and other responsive pleadings are expected to be filed by late January 2019. It is not possible to predict an 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 remained of this litigation are CMS and Exeter's declaratory judgment claims, which are administratively closed pursuant to the 2014 global settlement agreement. Pursuant to the Agreement, CMS and Exeter's claims could only be revived if the legislature fails to appropriate the requested funds and precludes the State from complying with this Agreement. In May 2018 the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 agreement. Therefore this litigation is completely closed.

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. Following the May 1-12, 2017 trial and post-trial memoranda, the Court ruled that the OTCs are not operators subject to the M&R Tax law. The State appealed, and filed its opening brief on August 7, 2018. The OTCs' brief is due October 9, 2018. Oral argument is scheduled for January 10, 2019.

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. The State has collected approximately $310,000 and believes an additional recovery in the range of $750,000 is possible in late 2018 or in 2019 with no further collections thereafter. Other creditors are also seeking the assets of Mr. Gill and Mortgage Specialists, Inc. The State is preparing to sell the attached Gill properties at auction and anticipates receiving $750,000. This revenue has not been recorded in the accompanying financial statements.

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 parties have submitted their briefs, and the court held oral argument on November 14, 2017. On March 30, 2018, the New Hampshire Supreme Court reversed and remanded the case to the trial court with instructions to dismiss for lack of subject matter jurisdiction. On April 30, 2018, the trial court entered judgment for the State of New Hampshire. This matter is now closed.

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 new women's prison is now complete and housing the women inmates, but the parties continue to discuss how the implementation of programs will be monitored going forward. Trial is scheduled for September 2019. It is not possible to predict the outcome of this case at this time.

Department of Safety

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. That claim was later non-suited with prejudice by the plaintiff. The court denied the State's motion for summary judgment on the Fourth Amendment claim. On November 1, 2017, the parties settled the litigation for $750,000 in exchange for a general release of all claims by the plaintiff. This expense has been recorded in the accompanying financial statements.

***Estate of Champney v. Department of Safety*.**
There is the potential for litigation, brought on behalf of the estate of Jesse Champney, arising from an officer-involved fatal shooting. On December 24, 2017, Mr. Champney fled from State Police during a pursuit related to an alleged stolen vehicle. After Mr. Champney's vehicle came to a stop off the road, Trooper O'Toole attempted to take him into custody, and Mr. Champney fled on foot. Mr. Champney refused to surrender and threatened to shoot Trooper O'Toole. Trooper O'Toole shot him, and he died at the scene. It is not possible to predict the outcome of the case at this time.

Other Departments

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 received its fiscal year 2017 adequacy payments in the ordinary course from funds already appropriated for that purpose. On April 6, 2017, the court issued an order granting Bedford's motion for summary judgment requesting payment of the adequacy payments for FY 2016 but for the cap and granted Bedford attorneys' fees. In the meantime, HB 354 was enacted by the legislature in April 2017, paying Bedford and the other towns the 2016 adequacy payments but for the cap. The State appealed the order on summary judgment and the order requiring the payment of attorneys' fees to Bedford. On August 17, 2018, the New Hampshire Supreme Court reversed the trial court's award of attorney's fees. This litigation is now concluded.

***Town of Hampton, New Hampshire v. State of New Hampshire*, Dkt. No. 218-2018-CV-00174 (N.H. Superior Court Rockingham County).**

In or about February 2018, the Town of Hampton filed this lawsuit against the State, seeking various forms of declaratory, injunctive, and monetary relief. According to the complaint, the lawsuit arises out of a 1933 deed in which a portion of Ocean Boulevard in Hampton was transferred from the Town to the State, as well as a series of "long standing issues affecting the Town from the presence of the [State's] property and operations occurring in Hampton." The Town sought "a determination of the respective rights and obligations of the Town and the State with respect to a number of aspects of the State's activities."

The Town's complaint contained five separate counts. Through those counts, the Town sought declarations and related injunctive relief that the State is liable for all maintenance of Ocean Boulevard, including maintenance for the sidewalks, crosswalks, and the "proper drainage of water that runs off of Ocean Boulevard and its sidewalks," the recovery of monetary damages from the State based on the State's collection of reve-

nues from certain paid parking spaces in the Town, monetary damages representing the fair value of various municipal services (including fire, police, and public works) provided by the Town, and monetary damages based on a "fair share of the revenues received over the last three years" from the State's operation of business activities on the subject property. The Town also claimed, on equal protection grounds, that the State's distribution to municipalities of Meals and Rooms Tax revenues pursuant to RSA chapter 78-A is unconstitutional as applied to the Town. The Town sought a declaration that it is entitled to a greater distribution based on the Town's "large seasonal visitor population" as opposed to the Town's smaller "year-round population."

On May 1, 2018, the State filed a motion to dismiss the Town's lawsuit in its entirety. The Town subsequently filed a motion to compel responses to certain discovery requests, which the Town contended were needed in order to adequately respond to the State's motion to dismiss. In July 2018, the court denied the Town's motion to compel. The Town thereafter filed a voluntary nonsuit without prejudice, and indicated that it intends re-file the lawsuit at a later date. It is not possible to predict the outcome of the threatened litigation at this time.

Conduent State and Local Solutions, Inc. (formerly Xerox) v. Department of Transportation et al

In this case, filed in superior court in October 2015 and appealed to the NH Supreme Court on September 20, 2017, Conduent (formerly Xerox), sued the Department of Transportation 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. Conduent was the former vendor and was not the winning bidder for the new contract that was awarded on October 7, 2015. The contract award was 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. Conduent alleges the bidding process was flawed and specifically brings claims to invalidate the bidding process and seeking damages. After the defendants filed several motions for summary judgment, the court dismissed many of the equitable claims made by the plaintiff. The plaintiff filed a notice of voluntary non-suit of the non-dismissed claims without prejudice and has appealed the single issue of whether the Department of Transportation had legal authority to procure this contract on a "best value" basis. The superior court dismissed the remaining claims without prejudice and the plaintiff's appeal has moved forward. The court held oral arguments on May 9, 2018 and on October 16, 2018, the New Hampshire Supreme court affirmed the trial court's decision in favor of the Department of Transportation. Because the remaining lower court claims were nonsuited without prejudice, Conduent was required to bring those claims in Superior Court last month. As of this date, we are not aware that those claims have been brought, but it is possible that they could have been filed but not yet served.

Cianbro Corporation v. NHDOT and MDOT.

This matter is a contract dispute concerning the Sarah Mildred Long Bridge which connects Maine and New Hampshire over the Piscataqua River. Cianbro is the prime contractor on the bridge replacement project, and has brought a Request for Equitable Adjustment through the MDOT internal adjudication process. Cianbro has sought an additional $16.9 million and 164 additional days to complete the work. Cianbro contends that the design plans were faulty, making it impossible to complete the project as specified within the time and cost constraints of the contract. The project has been plagued by time delays, additional costs, and substandard work, all of which the DOTs believe is attributable to Cianbro's poor performance and mismanagement of time. Although MDOT has administered the project, both MDOT and NHDOT have split all costs 50/50. If Cianbro is successful in its Request for Equitable Adjustment, NHDOT will be responsible for half of the $16.9 million bill, however, federal funds would be used to pay the claim. The timeframe for completing the administrative adjudication process is difficult to estimate. It will take at least one year for the claim to move through the internal process. After that time, there is a possibility of an appeal to the Maine Superior Court which could take one more year.

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. CLF has yet to file litigation pursuant to RCRA.

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. On November 10, 2016, CLF filed the Complaint pursuant to Section 505 of the Clean Water Act. CLF is seeking the full penalties allowed by law. In addition to civil penalties, CLF is seeking declaratory relief and injunctive relief to prevent further violations of the Clean Water Act. CLF is also seeking an order from the court requiring PDA to correct all identified violations by implementing permitting requirements; and will seek recovery of costs and fees associated with this matter. On February 8, 2017, PDA filed a motion to dismiss the entire Complaint on Eleventh Amendment immunity grounds. The Court granted the motion in part, holding that all retrospective relief is barred. The claims for prospective relief against the named officials at PDA remain. The matter is currently stayed to allow the parties to pursue potential settlement. 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 $31 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.

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.

OTHER MATTERS

During fiscal year 2017, the State recorded an expense of $21 million to recognize the impairment of certain assets that had been previously capitalized as part of the state department of transportation's project to upgrade the Conway, New Hampshire bypass corridor. This project had multiple segments, some of which were completed, and some were not completed in the timeframes required by the U.S. Department of Transportation Federal Highway Administration ("FHWA"). Capitalized expenses which met the state's definition for impairment included both preliminary engineering and right of way related expenses. The state continues to work with the FHWA in determining what portion, if any, of either the preliminary engineering or right of way related expenses that were incurred utilizing federal funds, would result in a potential liability to FHWA. As certain segments of the project were completed, only the bypass segment of the expenditures is at risk of being deemed ineligible by FHWA. The state has been advised that formal guidance in making this determination is forthcoming from FHWA, however, the state has not received this guidance or any demand for payment as of this date. As such, the state is unable to determine the likelihood of an unfavorable outcome, or the amount or range of any liability if an unfavorable outcome occurs.

16. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

A summary of the nature and purpose of the constraints and related amounts by fund at June 30, 2018 follows:

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

	Restricted	Committed	Assigned	Unassigned
General Fund:				
General Government	$17,473	$4,759	$37,744	
Administration of Justice & Public Protection	45,180	18,172	11,963	
Resources Protection & Development	368,132	5,221	9,063	
Transportation	8,813		18,840	
Health & Human Services	81,758	5	15,967	
Education	25,918		6,256	
Other Purposes				$184,395
Total	547,274	28,157	99,833	184,395
Highway Fund:				
General Government				
Administration of Justice & Public Protection	6,054			
Resources Protection & Development	1,011			
Transportation	115,612		13,900	
Total	122,677		13,900	
Education Trust Fund:				
Education			25,444	
Total			25,444	
Non-Major Governmental Funds:				
Resources Protection & Development	4,903	2,885	1,962	
Other Purposes	12,877			(32,640)
Total	$17,780	$2,885	$1,962	$(32,640)

The deficit in the non-major governmental funds will be eliminated through future intergovernmental revenues and the future issuance of general obligation bonds.

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.

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, $40 million of unrestricted General fund and Education Trust fund excess revenues over plan was transferred into the Rainy Day fund. In addition, in accordance with RSA 7:6-e, 10 percent of the $300 million (plus interest) verdict in the State v. Exxon for the MtBE water contamination lawsuit went to the State's Rainy Day Fund, bringing the balance as of June 30, 2016 to $93.0 million. At the end of the 2016-2017 biennium, in accordance with Chapter 156 of the 2017 legislative session, an additional $7.0 million was transferred to the Rainy Day Fund, bringing the balance as of June 30, 2017 to $100.0 million. During the 2018 legislative session, Chapter 162 required that $10 million of unrestricted General fund excess revenues over plan be transferred into the Rainy Day fund, bringing the balance as of June 30, 2018 to $110 million.

17. 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, 2018, the Lottery recognized $8.3 million of net income from Tri-State. At June 30, 2018 Tri-State reported total installment prize obligations owed to jackpot winners of $24.2 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 $1.6 million at June 30, 2018. 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 36 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, 2018, 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 $2.6 million at June 30, 2018. 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.

Hot Lotto has been offered since April 2002. MUSL allocates 50 percent of the weekly sales to the prize pool. At June 30, 2018 the MUSL Hot Lotto prize reserve fund was $6.9 million with New Hampshire's share being $307 thousand. Each participating member pays for a share of Hot Lotto operating expenses based upon the member's proportionate share of total Hot Lotto game sales. Hot Lotto sales ended in October, 2017 as the game was discontinued due to falling sales.

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 sixteen 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, 2018, New Hampshire's total share of the net operating income for Lucky for Life was $1.7 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, 2018 amounted to $2.6 million, representing MUSL prize reserves which could be returned to the State's Education Trust Fund.

18. SUBSEQUENT EVENTS

General Obligation Capital Improvement Bonds:

The State issued $63,410,000 General Obligation Capital Improvement Bonds 2018 Series A through a competitive sale which priced on December 4, 2018 and is scheduled to close on December 18, 2018. These bonds were issued with an overall true-interest-cost (TIC) to the State of 3.01%, with coupons ranging from 3.25% to 5.00% and with a final maturity of 12/1/2038. The proceeds of this issue will be used to finance all or part of various capital projects of the State.

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, 2018 through December 1, 2018, an additional $19.5 million of TIFIA proceeds had been requested/received under this arrangement, representing a long-term note payable.


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1776

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, 2018
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
General Property Taxes	$398	$398	$273	$(125)
Special Taxes	1,248,884	1,255,904	1,320,269	64,365
Personal Taxes	120,348	120,348	124,443	4,095
Business License Taxes	24,696	24,696	24,475	(221)
Non-Business License Taxes	122,089	122,101	114,629	(7,472)
Fees	184,009	193,674	184,553	(9,121)
Fines, Penalties and Interest	7,482	8,849	7,085	(1,764)
Grants from Federal Government	2,038,588	2,435,926	1,973,731	(462,195)
Grants from Private and Local Sources	175,124	172,182	168,066	(4,116)
Rents and Leases	5,373	6,163	1,367	(4,796)
Interest Premiums and Discounts	15,181	15,953	28,330	12,377
Sale of Commodities	15,918	20,339	15,221	(5,118)
Sale of Services	43,351	44,021	23,905	(20,116)
Assessments	85,179	85,398	70,607	(14,791)
Grants from Other Agencies	369,808	370,573	146,493	(224,080)
Miscellaneous	1,305,875	440,285	401,803	(38,482)
Total Revenue	5,762,303	5,316,810	4,605,250	(711,560)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	27,063	27,182	16,690	10,492
Executive	49,957	49,895	34,328	15,567
Information Technology	88,260	86,583	66,382	20,201
Executive Council	246	262	252	10
Administrative Services	158,467	170,582	148,191	22,391
Sec of State	10,114	13,483	9,305	4,178
Revenue Administration	19,163	19,227	16,987	2,240
State Treasury	99,132	102,783	90,033	12,750
NH Retirement System	8,057	8,062	7,109	953
Developmental Disabilities Council	665	695	414	281
Office of Professional Licensure and Certification	7,980	8,592	7,311	1,281
Boards and Commissions	948	948	900	48
Total	470,052	488,294	397,902	90,392
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	92,351	94,973	86,982	7,991
Adjutant General	33,994	39,067	25,077	13,990

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, 2018
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Agriculture	7,367	7,452	4,680	2,772
Justice Department	107,989	110,790	37,691	73,099
Bank Commission	6,340	6,340	5,140	1,200
Insurance	14,963	15,623	11,372	4,251
Labor	10,481	29,015	26,969	2,046
Public Utilities Commission	52,060	52,826	31,307	21,519
Safety	124,424	152,119	100,959	51,160
Corrections Department	124,044	129,143	119,210	9,933
Employment Security	83,246	83,246	28,632	54,614
Judicial Council	28,439	29,674	29,472	202
Human Rights Commission	690	678	590	88
Boards and Commissions	450	450	434	16
Total	686,838	751,396	508,515	242,881
RESOURCE PROTECTION AND DEVELOPMENT				
Natural and Cultural Resources	82,839	88,578	43,493	45,085
Business and Economic Development			21,454	(21,454)
Pease Development Authority	632	633	514	119
Environmental Services	134,738	176,134	84,270	91,864
Development Finance Authority	171	171	171	
Boards and Commissions	63	63	62	1
Total	218,443	265,579	149,964	115,615
TRANSPORTATION				
Transportation	69,542	90,685	41,128	49,557
Total	69,542	90,685	41,128	49,557
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	144,998	167,741	116,400	51,341
Office of Health Management	118,504	122,917	79,811	43,106
Transitional Assistance	104,590	124,311	92,001	32,310
Office of Medicaid & Business Policy	1,633,900	1,960,581	1,830,941	129,640
Behavioral Health	70,830	71,663	60,762	10,901
Developmental Services	317,612	351,023	327,485	23,538
N H Hospital	75,728	76,657	69,320	7,337
Glencliff Home	15,587	15,729	14,470	1,259
N H Veterans Home	35,664	35,664	31,099	4,565
Veterans Council	639	646	549	97

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, 2018
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Human Services	195,514	210,655	189,159	21,496
Elderly and Adult Services	47,022	47,111	23,505	23,606
Community Based Care Svc	18,131	18,131	3,807	14,324
Total	2,778,719	3,202,829	2,839,309	363,520
EDUCATION				
Department of Education	362,932	390,895	272,560	118,335
NH Comm. Tech. College System	46,475	46,475	46,475	
Police Standards and Training Council	3,630	3,663	3,285	378
University of New Hampshire	81,000	81,000	81,000	
Total	494,037	522,033	403,320	118,713
Debt Service	109,054	109,054	109,054	
Capital Outlays	28,479	28,479	28,479	
Total Expenditures	4,855,164	5,458,349	4,477,671	980,678
Excess (Deficiency) of Revenues Over (Under) Expenditures	907,139	(141,539)	127,579	269,118
OTHER FINANCING SOURCES (USES)				
Transfers In		961	961	
Transfers Out		(62,784)	(62,209)	575
Miscellaneous		(472)	(472)	
Total Other Financing Sources (Uses)		(62,295)	(61,720)	575
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	907,139	(203,834)	65,859	269,693
Fund Balance - July 1	909,475	909,475	909,475	
Fund Balance - June 30	$1,816,614	$705,641	$975,334	$269,693

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, 2018
(Expressed in Thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$185,825	$185,825	$182,760	$(3,065)
Non-Business License Taxes	65,111	65,111	72,998	7,887
Fees	80,877	80,845	17,362	(63,483)
Fines, Penalties and Interest	6,507	6,506	6,098	(408)
Grants from Federal Government	589,229	589,141	169,754	(419,387)
Grants from Private and Local Sources	9,864	9,845	4,975	(4,870)
Rents and Leases	214	214	92	(122)
Sale of Commodities	6,098	6,098	2,679	(3,419)
Sale of Services	5,378	5,224	4,114	(1,110)
Grants from Other Agencies	14,151	16,352	16,633	281
Miscellaneous	76,410	79,172	31,121	(48,051)
Total Revenues	1,039,664	1,044,333	508,586	(535,747)
EXPENDITURES				
Justice and Public Protection	103,894	106,638	61,418	45,220
Resource Protection and Development	2,315	4,586	1,876	2,710
Transportation	919,225	861,064	449,482	411,582
Debt Service	33,706	33,706	33,706	
Capital Outlays	8,882	8,882	8,882	
Total Expenditures	1,068,022	1,014,876	555,364	459,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,358)	29,457	(46,778)	(76,235)
OTHER FINANCING SOURCES (USES)				
Transfers Out		(2,842)	(2,842)	
Transfers In		(88)		88
Miscellaneous		512	1,087	575
Total Other Financing Sources (Uses)		(2,418)	(1,755)	663
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(28,358)	27,039	(48,533)	(75,572)
Fund Balance - July 1	618,148	618,148	618,148	
Fund Balance - June 30	$589,790	$645,187	$569,615	$(75,572)

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, 2018
(Expressed in Thousands)

	Education Trust Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$405,999	$405,999	$408,312	$2,313
Special Taxes	390,700	390,700	446,105	55,405
Personal Taxes	94,600	94,600	87,077	(7,523)
Fines, Penalties and Interest		1	3	2
Miscellaneous	35,000	35,000	40,000	5,000
Total Revenues	926,299	926,300	981,497	55,197
EXPENDITURES				
Education	961,566	961,200	959,919	1,281
Total Expenditures	961,566	961,200	959,919	1,281
Deficiency of Revenues Under Expenditures	(35,267)	(34,900)	21,578	56,478
OTHER FINANCING SOURCES (USES)				
Transfers In	62,159	62,159	62,159	
Total Other Financing Sources (Uses)	62,159	62,159	62,159	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	26,892	27,259	83,737	56,478
Fund Balance - July 1	(55,643)	(55,643)	(55,643)	
Fund Balance - June 30	$(28,751)	$(28,384)	$28,094	$56,478

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, 2018

The Budget To Actual (Non-GAAP Budgetary Basis) Schedules depict budgeted to actual expenditures using the same format, terminology and classification as in the statement of revenues, expenses and changes in fund balances with an additional expense level by department within each functional expense category.

The comparison schedule presented for the General Fund, the Highway Fund, and the Education Trust Fund, presents the original and final appropriated budgets for fiscal year 2018, 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 (HB144) as of June 28, 2017 with an effective date of July 1, 2017, 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, 2018 rather than the amounts shown in the original budget, are reported. The final appropriations budget represents the original budget (HB144), plus HB517 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, 2018 (expressed in thousands).

	General Fund	Highway Fund	Education Trust Fund
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (Budgetary Basis)	$65,859	$(48,533)	$83,737
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	14,854	(1,136)	(891)
To record change in Accounts Receivable	(208,582)	3,031	(87,279)
To record Other Financing Sources (Uses)	239,342	54,768	25,120
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (GAAP Basis) including change in inventory	$111,473	$8,130	$20,687

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 TRUSTED OTHER POSTEMPLOYMENT BENEFITS PLAN

Schedule of the State's Proportionate Share of the Net OPEB Liability (Trusted OPEB Plan)

(dollars in thousands)

	June 30, 2018
State's Proportion of the Net OPEB Liability	19.097%
State's Proportionate Share of the Net OPEB Liability	$87,317
State's Covered Payroll	$587,542
State's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	14.86%
Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.91%

Note: The amounts presented were determined as of and for the measurement period ended June 30, 2017

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

Schedule of State Contributions

(dollars in thousands)

	2018	2017
Required State Contribution	$8,960	$11,996
Actual State Contributions	8,960	11,996
Excess/(Deficiency) of State Contributions		
State's Covered Payroll	$601,426	$587,542
State Contribution as a Percentage of its Covered Payroll	1.49%	2.04%

Note: The schedule is intended to show 10 years. Additional years will be added as they become available.

Notes to the Required Supplementary Information:

Changes in benefit terms: None

Changes in Assumptions: Payroll growth assumption for the Teacher group was reduced to 2.75% and future actuarial gains or losses on or after July 1, 2017 to be amortized for consecutive closed fixed periods of no longer than 20 years.

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 NON TRUSTED OTHER POSTEMPLOYMENT BENEFITS PLAN

	2018
Total OPEB Liability	
Service cost	111,334
Interest	84,315
Differences between expected and actual experience	(7,886)
Changes in assumptions	(784,281)
Benefit payments	(49,772)
Net change in total OPEB liability	(646,290)
Total OPEB liabilty - beginning	2,875,711
Total OPEB liabilty - ending	2,229,421
Covered payroll	587,542
Total OPEB liability as a percentage of covered payroll	379.45%

Notes to Schedule:

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations, as well as, changes in the discount rate used in each period. The following are the discount rates used in each period.

2018	3.58%
2017	2.85%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2017 and 2016

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

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, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's Proportion of the Net Pension Liability	19.83%	19.47%	20.07%	19.60%
State's Proportionate Share of the Net Pension Liability	$975,446	$1,035,370	$794,933	$735,869
State's Covered Payroll	$587,542	$562,387	$563,322	$533,457
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	166.02%	184.10%	141.12%	137.94%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	62.66%	58.30%	65.47%	66.32%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2017, 2016, 2015, and 2014

The 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,				
	2018	2017	2016	2015	2014
Required State Contribution	$78,280	$72,680	$69,700	$67,450	$63,621
Actual State Contributions	78,280	72,680	69,700	67,450	63,621
Excess/(Deficiency) of State Contributions					
State's Covered Payroll	$601,426	$587,542	$562,387	$563,322	$533,457
State Contribution as a Percentage of its Covered Payroll	13.02%	12.37%	12.39%	11.97%	11.93%

Note: The schedule is intended to show 10 years. Additional years will be added as they become available.

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

Fiscal Year Ended (dollars in thousands)	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability				
Service cost	$3,513	$3,248	$2,693	$2,351
Interest on total pension liability	6,826	6,568	5,642	5,648
Effect of differences between expected and actual experience	(10,003)	3,773		
Effect of changes in actuarial assumptions	4,435	3,806		
Benefit payments	(6,601)	(6,192)	(5,694)	(5,775)
Net change in total pension liability	(1,830)	11,203	2,641	2,224
Total pension liability, beginning	97,242	86,039	83,398	81,174
Total pension liability, ending (a)	$95,412	$97,242	$86,039	$83,398
Fiduciary Net Position				
Employer contributions	$6,346	$6,096	$5,470	$4,923
Member contributions	745	727	664	635
Investment income net of investment expenses	7,497	2,874	(249)	2,759
Benefit payments	(6,601)	(6,192)	(5,694)	(5,775)
Administrative expenses	(228)	(239)	(208)	(203)
Net change in plan fiduciary net position	7,759	3,266	(17)	2,339
Fiduciary net position, beginning	50,172	46,906	46,923	44,584
Fiduciary net position, ending (b)	57,931	50,172	46,906	46,923
Net pension liability, ending = (a) - (b)	$37,481	$47,070	$39,133	$36,475
Fiduciary net position as a % of total pension liability	60.72%	51.59%	54.52%	56.26%
Covered payroll	$8,359	$8,525	$8,031	$7,535
Net pension liability as a % of covered payroll	448.39%	552.14%	487.27%	484.07%

Note: The amounts presented above were determined as of and for the measurement period ended December 31, 2017, 2016, 2015 and 2014. The 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,	2018	2017	2016	2015	2014
Actuarially Determined Contribution	$6,592	$6,151	$5,678	$5,100	$4,666
Contributions in Relation to the Actuarially Determined Contribution	6,592	6,151	5,678	5,100	4,666
Excess/(Deficiency) of State Contributions					
Covered Payroll	$8,825	$8,686	$8,209	$7,944	$7,348
Contribution as a Percentage of the Covered Payroll	74.70%	70.82%	69.17%	64.20%	63.50%

Note: The 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, eighteen and thirty months prior to the end of the fiscal year in which contributions are reported.
Investment rate of return	6.675%
Inflation	2.75%
Salary increases	1.5% for 2017, 6.78% for 2018, 2.25% thereafter
Cost of living adjustment	6.78% for 2018, 2.25% thereafter
Mortality	RP-2000 Mortality Tables for Employees and Healthy Annuitants with generational projection per Scale BB
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed 22 years was used for the year ended December 31, 2017
Remaining amortization period	22 years
Asset valuation method	5-year non-asymptotic +/- 20%
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, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 27, 2018. Our report includes an emphasis of matter paragraph regarding the State adopting the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Our report includes a reference to other auditors who audited the financial statements of the Liquor Commission, Lottery Commission, Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, Pease Development Authority, Community College System of New Hampshire, New Hampshire Retirement System, New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the New Hampshire Public Deposit Investment Pool and the Business Finance Authority of the State of New Hampshire were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the New Hampshire Public Deposit Investment Pool and the Business Finance Authority of the State of New Hampshire.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.*

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

Boston, Massachusetts
December 27, 2018

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, 2018. 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 expended federal awards which are not included in the State's schedule of expenditures of federal awards for the year ended June 30, 2018. 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 our audit provides a reasonable basis for our unmodified and modified opinions on compliance for major federal programs. 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
2018-002	93.775, 93.777, 93.778	Medicaid Cluster	Special Test
2018-008	93.558	Temporary Assistance for Needy Families	Maintenance of Effort
2018-015	93.069 93.889	Public Health Emergency Preparedness National Bioterrorism Hospital Emergency Preparedness	Maintenance of Effort
2018-017	93.069	Public Health Emergency Preparedness	Equipment Management
2018-024	84.010 84.367	Title I Grants to Local Educational Agencies Supporting Effective Instruction State Grants	Subrecipient Monitoring
2018-026	84.010	Title I Grants to Local Educational Agencies	Special Test

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, 2018.

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, 2018.

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 2018-001, 2018-003, 2018-004, 2018-005, 2018-007, 2018-009, 2018-010, 2018-011, 2018-013, 2018-014, 2018-016, 2018-018, 2018-022, 2018-023, 2018-027, 2018-028, 2018-029, 2018-030, 2018-031, 2018-032, 2018-033, 2018-034, 2018-035, 2018-036, and 2018-037. Our opinion on each major federal program 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 a 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 2018-002, 2018-004, 2018-008, 2018-015, 2018-017, 2018-019, 2018-024, 2018-026, and 2018-033 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 2018-001, 2018-003, 2018-005, 2018-006, 2018-007, 2018-009, 2018-010, 2018-011, 2018-012, 2018-013, 2018-014, 2018-016, 2018-018, 2018-020, 2018-021, 2018-022, 2018-023, 2018-025, 2018-027, 2018-028, 2018-029, 2018-030, 2018-032, 2018-034, 2018-035, 2018-036, and 2018-037 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, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 27, 2018 which referred to the use of the reports of other auditors and which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph noting the State's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions.*

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

Boston, Massachusetts
March 28, 2019

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Agriculture					
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care	143,756	0%	-
1800	10.170	Specialty Crop Block Grant Program – Farm Bill	229,109	0%	-
1800	10.171	Organic Certification Cost Share Programs	20,938	0%	-
		Supplemental Nutrition Assistance Program (SNAP) Cluster			
9500	**10.551**	**Supplemental Nutrition Assistance Program (Note 3,9)**	**104,154,097**	**0%**	**-**
9500	**10.561**	**State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 9)**	**9,452,287**	**0%**	**-**
		SNAP Cluster Total	**113,606,384**	**0%**	**-**
		Child Nutrition Cluster			
5600	**10.553**	**School Breakfast Program (Note 9)**	**5,458,705**	**100%**	**5,458,705**
5600 1400	**10.555**	**National School Lunch Program (Note 3, 9)**	**26,100,381**	**100%**	**26,100,381**
5600	**10.556**	**Special Milk Program For Children (Note 9)**	**142,951**	**100%**	**142,951**
5600 1400	**10.559**	**Summer Food Service Program For Children (Note 3,9)**	**1,041,331**	**97%**	**1,006,329**
		Child Nutrition Cluster Total	**32,743,368**	**100%**	**32,708,366**
9500	10.557	Special Supplemental Nutrition Program For Women, Infants And Children	9,105,185	33%	2,978,724
5600 1400	10.558	Child And Adult Care Food Program (Note 3)	5,062,258	99%	4,995,789
5600 1400	10.560	State Administrative Expenses For Child Nutrition	622,712	0%	-
		Food Distribution Cluster			
9500	10.565	Commodity Supplemental Food Program (Note 3,9)	1,238,474	27%	338,241
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 9)	208,748	0%	-
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Note 3,9)	3,078,787	100%	3,078,787
		Food Distribution Cluster Total	4,526,009	75%	3,417,028
9500	10.576	Senior Farmers Market Nutrition Program	79,476	97%	77,391
9500	10.578	WIC Grants to States	199,588	0%	-
5600	10.579	Child Nutrition Discretionary Grants Limited Availability	30,207	100%	30,207
5600	10.582	Fresh Fruit And Vegetable Program	1,788,359	98%	1,751,418

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2018 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
3500	10.664	Cooperative Forestry Assistance	680,254	30%	206,953
3500	10.676	Forest Legacy Program	2,329,858	0%	-
3500	10.912	Environmental Quality Incentives Program (EQIP)	31,209	0%	-
1800	10.913	Farm and Ranch Lands Protection Program	3,522	0%	-
4400	10.916	Watershed Rehabilitation Program	713	0%	-
		Department of Agriculture Total:	**171,202,905**	**27%**	**46,165,876**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2018 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Commerce					
7500	11.407	Interjurisdictional Fisheries Act Of 1986	13,052	0%	-
4400	11.419	Coastal Zone Management Administration Awards	1,382,951	21%	287,445
7500	11.420	Coastal Zone Management Estuarine Research Reserves	545,871	0%	-
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act	133,411	0%	-
2300	11.549	State and Local Implementation Grant Program (SLIGP)	15,714	0%	-
7500	11.999	No Program Title	413,730	0%	-
		Department of Commerce Total:	**2,504,729**	**11%**	**287,445**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2018 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Defense					
2200	12.002	Procurement Technical Assistance For Business Firms	232,776	0%	-
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services	411,009	0%	-
1200	12.400	Military Construction, National Guard	13,135,601	0%	-
1200	12.401	National Guard Military Operations And Maintenance (O&M) Projects	21,033,308	0%	-
2200	12.610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies.	285,924	51%	146,000
		Department of Defense Total:	**35,098,618**	**0%**	**146,000**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2018 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Housing and Urban Development					
9500	14.231	Emergency Solutions Grant Program	889,769	93%	827,485
9500	14.241	Housing Opportunities For Persons With AIDS	617,235	97%	598,718
9500	14.267	Continuum of Care Program	3,490,840	95%	3,316,298
		Department of Housing and Urban Development Total:	**4,997,844**	**95%**	**4,742,501**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of the Interior					
4400	15.153	Hurricane Sandy Disaster Relief -- Coastal Resiliency Grants	82,846	0%	-
4400	15.424	Marine Minerals Activities	20,649	0%	-
		Fish and Wildlife Cluster			
7500	15.605	Sport Fish Restoration Program (Note 9)	3,250,932	0%	-
7500	15.611	Wildlife Restoration And Basic Hunter Education (Note 9)	4,462,185	5%	201,639
		Fish and Wildlife Cluster Total	7,713,117	3%	201,639
7500	15.614	Coastal Wetlands Planning, Protection and Restoration	1,000,000	0%	-
7500	15.615	Cooperative Endangered Species Conservation Fund	39,000	0%	-
4400	15.616	Clean Vessel Act	180,559	2%	3,942
7500	15.626	Enhanced Hunter Education And Safety Program	26,838	0%	-
7500	15.634	State Wildlife Grants	993,755	12%	114,838
7500	15.650	Research Grants (Generic)	19,961	0%	-
7500	15.655	Migratory Bird Monitoring, Assessment and Conservation	4,606	0%	-
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds	14,433	0%	-
4400	15.810	National Cooperative Geologic Mapping Program	45,321	0%	-
4400	15.814	National Geological and Geophysical Data Preservation	3,512	0%	-
3500	15.904	Historic Preservation Fund Grants-In-Aid	544,757	10%	52,245
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning	172,464	100%	172,464
3500	15.957	Emergency Supplemental Historic Preservation Fund	224,148	39%	86,509
		Department of the Interior Total:	**11,085,966**	**6%**	**631,637**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Justice					
2000	16.017	Sexual Assault Services Formula Program	341,844	95%	324,615
9500	16.523	Juvenile Accountability Block Grants	4,206	0%	-
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States	47,108	0%	-
2000	16.554	National Criminal History Improvement Program (NCHIP)	1,017	0%	-
2000	16.575	Crime Victim Assistance	4,947,315	91%	4,496,451
2000	16.576	Crime Victim Compensation	163,167	0%	-
2000	16.582	Crime Victim Assistance/Discretionary Grants	50,568	0%	-
1000	16.585	Drug Court Discretionary Grant Program	73,547	0%	-
2000	16.588	Violence Against Women Formula Grants	1,112,449	76%	845,115
2000	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	307,293	34%	105,476
2000	16.593	Residential Substance Abuse Treatment For State Prisoners	30,629	89%	27,348
4600	16.609	Project Safe Neighborhoods	32,906	0%	-
2300	16.710	Public Safety Partnership And Community Policing Grants	544,260	0%	-
2000	16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,271,418	0%	-
2300	16.741	DNA Backlog Reduction Program	191,012	0%	-
2000	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	153,088	0%	-
2300	16.750	Support For Adam Walsh Act Implementation Grant Program	100,383	0%	-
2000	16.754	Harold Rogers Prescription Drug Monitoring Program	207,082	0%	-
2000	16.816	John R Justice Prosecutors And Defenders Incentive Act	31,414	0%	-
2000	16.826	Vision 21: Building State Technology Capacity	602	0%	-
2000	16.828	Swift, Certain, and Fair (SFC) Supervision Program: Including Project Hope	34,139	72%	24,496
2000 2300 4600	16.922	Equitable Sharing Program	354,018	0%	-
		Department of Justice Total:	**9,999,465**	**58%**	**5,823,501**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Labor					
2700	17.002	Labor Force Statistics	980,479	0%	-
3200	17.005	Compensation And Working Conditions	22,550	0%	-
		Employment Service Cluster			
2700	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 9)	2,940,089	0%	-
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 9)	944,575	0%	-
2700	17.804	Local Veterans` Employment Representative Program (Note 9)	-	0%	-
		Employment Service Cluster Total	3,884,664	0%	-
2700	17.225	Unemployment Insurance (Note 4)	69,656,605	0%	-
2200	17.235	Senior Community Service Employment Program	400,341	98%	393,960
2700	17.245	Trade Adjustment Assistance	609,070	0%	-
		Workforce Investment Act (WIA) Cluster			
2200	17.258	WIA Adult Program (Note 9)	1,784,891	69%	1,237,869
2200	17.259	WIA Youth Activities (Note 9)	2,315,517	78%	1,817,415
2200	17.278	WIA Dislocated Formula Grants (Note 9)	2,550,638	81%	2,074,139
		WIA Cluster Total	6,651,046	77%	5,129,423
2700	17.261	WIA Pilots, Demonstrations, and Research Projects	(11)	0%	-
2700	17.271	Work Opportunities Tax Credit Program (WOTC)	94,135	0%	-
2700	17.273	Temporary Labor Certification For Foreign Workers	99,126	0%	-
2200 2700	17.277	Workforce Investment Act (WIA) National Emergency Grants	1,195,544	95%	1,133,367
2200	17.281	WIA Dislocated Worker National Reserve Technical Assistance and Training	35,098	69%	24,323
2200	17.600	Mine Health And Safety Grants	34,598	97%	33,459
		Department of Labor Total:	**83,663,245**	**8%**	**6,714,532**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Transportation					
9600	20.106	Airport Improvement Program (Note 6)	3,829,839	100%	3,829,839
9600	20.200	Highway Research & Development	189,573	0%	-
		Highway Planning and Construction Cluster			
9600	20.224	Federal Lands Access Program (Note 9)	619,640	0%	-
9600	20.205	Highway Planning And Construction (Note 9)	164,464,091	9%	14,175,524
9600	20.219	Recreational Trails Program (Note 9)	983,771	87%	853,625
9600	23.003	Appalachian Development Highway System (Note 9)	-	0%	-
		Highway Planning and Construction Cluster Total	166,067,502	9%	15,029,149
9600	20.215	Highway Training & Education	1,040,762	3%	26,803
9600	20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (Note 8)	54,768,347	0%	-
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	17,866	0%	-
		Federal Transit Cluster			
9600	20.500	Federal Transit - Capital Investment Grants (Note 9)	130,301	25%	32,565
9600	20.507	Federal Transit - Formula Grants (Note 9)	3,898,763	0%	-
9600	20.525	State of Good Repair Grants Program	-	0%	-
9600	20.526	Bus and Bus Facilities Formula Program	-	0%	-
		Federal Transit Cluster Total	4,029,064	1%	32,565
9600	20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	1,096,654	0%	-
9600	20.509	Formula Grants For Rural Areas	3,691,012	84%	3,082,327
		Transit Services Program Cluster			
9600	20.513	Enhanced Mobility Of Seniors And Individuals With Disabilities (Note 9)	1,945,174	95%	1,845,937
9600	20.516	Job Access - Reverse Commute (Note 9)	25,220	100%	25,220
9600	20.521	New Freedom Program (Note 9)	30,547	81%	24,775
		Transit Services Program Cluster Total	2,000,941	95%	1,895,932
9600	20.522	Alternative Analysis	2,314,491	98%	2,267,091

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
		Highway Safety Cluster			
2300	**20.600**	**State And Community Highway Safety (Note 9)**	**2,475,619**	**60%**	**1,493,499**
2300	**20.601**	**Alcohol Impaired Driving Countermeasures Incentive Grants (Note 9)**	**823,347**	**6%**	**46,250**
	20.602	**Occupant Protection Incentive Grants**	**-**	**0%**	**-**
	20.609	**Safety Belt Performance Grants**	**-**	**0%**	**-**
2300	**20.610**	**State Traffic Safety Information System Improvement Grants**	**213,237**	**2%**	**4,500**
	20.611	**Incentive Grant Program to Prohibit Racial Profiling**	**-**	**0%**	**-**
2300	**20.612**	**Incentive Grant Program to Increase Motorcyclist Safety**	**60,556**	**0%**	**-**
	20.613	**Child Safety and Child Booster Seat Incentive Grants**	**-**	**0%**	**-**
2300	**20.616**	**National Priority Safety Programs (Note 9)**	**2,767,954**	**38%**	**1,062,937**
		Highway Safety Cluster Total	**6,340,713**	**41%**	**2,607,186**
8100	20.700	Pipeline Safety Program State Base Grant	743,760	0%	-
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants	115,837	32%	37,411
8100	20.721	PHMSA Pipeline Safety Program One Call Grant	60,000	0%	-
		Department of Transportation Total:	**246,306,361**	**12%**	**28,808,303**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Equal Employment Opportunity Commission					
7600	30.002	Employment Discrimination - State And Local Fair Employment Practices Agency Contracts	592,765	-	-
		Equal Employment Opportunity Commission Total:	**592,765**	**-**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
General Services Administration					
1400	39.003	Donation Of Federal Surplus Personal Property (Note 3)	59,300	100%	59,300
3200	39.011	Election Reform Payments (Note 5)	34,419	0%	-
		General Services Administration Total:	**93,719**	**63%**	**59,300**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
National Endowment for the Arts					
3500	45.025	Promotion of The Arts - Partnership Agreements	664,646	45%	300,000
3500	45.310	Grants To States	977,491	0%	150
		National Endowment for the Arts Total:	**1,642,137**	**18%**	**300,150**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Small Business Administration					
2200	59.061	State Trade Expansion Program (STEP)	161,223	100%	161,223
		Small Business Administration Total:	**161,223**	**100%**	**161,223**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Veterans Administration					
4300	64.015	Veterans State Nursing Home Care	9,068,971	0%	-
5600	64.124	All-Volunteer Force Educational Assistance	137,027	0%	-
1200	64.203	Veterans Cemetery Grants Program	214,672	0%	-
		Veterans Administration Total:	**9,420,670**	**0%**	**-**

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Environmental Protection Agency					
9600	66.039	National Clean Diesel Emissions Reduction Program	789,750	0%	-
4400	66.040	State Clean Diesel Grant Program	169,585	92%	155,328
4400	66.454	Water Quality Management Planning	142,562	24%	34,023
		Clean Water State Revolving Fund Cluster			
4400	66.458	Capitalization Grants For Clean Water State Revolving Fund (Note 9)	20,312,588	95%	19,224,994
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	20,312,588	95%	19,224,994
4400	66.460	Nonpoint Source Implementation Grants	446,435	96%	427,724
4400	66.461	Regional Wetland Program Development Grants	229,306	37%	85,080
		Drinking Water State Revolving Fund Cluster			
4400	66.468	Capitalization Grants For Drinking Water State Revolving Fund (Note 9)	7,838,875	67%	5,280,875
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	7,838,875	67%	5,280,875
4400	66.472	Beach Monitoring And Notification Program Implementation Grants	213,269	0%	-
4400	66.474	Water Protection Grants To The States	68,865	0%	-
4400	66.605	Performance Partnership Grants	5,686,440	4%	204,182
4400	66.606	Surveys, Studies, Investigations And Special Purpose Grants	276,641	0%	-
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance	65,880	0%	-
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	282,059	0%	-
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	85,169	0%	-
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals	225,591	0%	-
4400	66.708	Pollution Prevention Grants Program	216,385	0%	-
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements	2,220,938	0%	-
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program	290,238	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	544,211	0%	-
4400	66.817	State And Tribal Response Program Grants	750,113	0%	-
4400	66.818	Brownfields Assessment And Cleanup Cooperative Agreements	112,092	92%	103,600
		Environmental Protection Agency Total:	**40,966,992**	**62%**	**25,515,806**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title		2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Energy						
0240	81.041	State Energy Program		189,195	5%	9,400
0240	81.042	Weatherization Assistance For Low-Income Persons		1,344,033	87%	1,172,258
4400	81.086	DOE Clean Cities		58,547	0%	
0240	81.119	State Energy Program Special Projects	89,561			
		State Energy Program Special Project Subaward # 02240-FY15-SEP-006 from The State of Vermont	17,219	106,780	11%	11,900
0240	81.138	State Heating Oil and Propane Program		6,199	0%	
		Department of Energy Total:		**1,704,754**	**70%**	**1,193,558**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Education					
5600	84.002	Adult Education - Basic Grants To States	1,698,458	83%	1,411,433
5600	**84.010**	**Title I Grants To Local Educational Agencies**	**42,265,414**	**98%**	**41,521,346**
5600	84.011	Migrant Education - State Grant Program	201,830	0%	-
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children And Youth	506,321	0%	-
		Special Education Cluster			
5600	**84.027**	**Special Education - Grants To States (Note 9)**	**45,716,521**	**89%**	**40,710,078**
5600	**84.173**	**Special Education - Preschool Grants (Note 9)**	**1,528,102**	**86%**	**1,314,891**
		Special Education Cluster Total	**47,244,623**	**89%**	**42,024,969**
5600	84.048	Career And Technical Education - Basic Grants To States	6,090,114	92%	5,620,532
5600	**84.126**	**Rehabilitation Services - Vocational Rehabilitation Grants To States**	**12,192,857**	**0%**	**-**
5600	84.144	Migrant Education - Coordination Program	124,690	0%	-
0205	84.161	Rehabilitation Services - Client Assistance Program	112,025	0%	-
5600	84.169	Independent Living - State Grants	341,947	0%	-
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind	190,759	0%	-
9500	84.181	Special Education Grants For Infants And Families	2,169,899	78%	1,698,396
5600	84.184	School Safety National Activities	18,033	0%	-
5600	84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	500,450	0%	-
5600	84.196	Education For Homeless Children And Youth	206,151	75%	154,534
5600	84.282	Charter Schools	455,219	100%	455,219
5600	84.287	Twenty-First Century Community Learning Centers	5,086,237	96%	4,877,366
5600	84.323	Special Education - State Personnel Development	710,574	33%	236,306
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	688	0%	-
5600	84.358	Rural Education	770,898	98%	755,219
5600	84.365	English Language Acquisition State Grants	1,021,009	85%	864,287
5600	84.366	Mathematics And Science Partnerships	531,215	98%	518,422
5600	**84.367**	**Supporting Effective Instruction State Grants**	**9,576,159**	**97%**	**9,326,794**
5600	84.369	Grants For State Assessments And Related Activities	2,155,708	0%	-

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State of New Hampshire
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For the Fiscal Year Ended 6/30/2018

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5600	84.372	Statewide Longitudinal Data Systems	1,800	0%	-
5600	84.377	School Improvement Grants	1,385,983	100%	1,379,482
5600	84.424	Student Support and Academic Enrichment Program	209,543	92%	193,662
5600	84.902	NAEP State Coordinator	85,834	0%	-
		Department of Education Total:	**135,854,438**	**82%**	**111,037,967**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

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U.S. Election Assistance Commission					
3200	90.401	Help America Vote Act Requirements Payments (Note 5)	451,668	0%	-
		U.S. Election Assistance Commission Total:	**451,668**	**0%**	**-**

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Department of Health and Human Services					
9500	93.041	Special Programs for the Aging - Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	15,720	0%	-
9500	93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	113,846	0%	-
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services	82,114	0%	-
		Aging Cluster			
9500	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 9)	1,950,572	0%	-
9500	93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 9)	2,709,593	0%	-
9500	93.053	Nutrition Services Incentive Program (Note 9)	1,385,646	100%	1,384,365
		Aging Cluster Total	6,045,811	23%	1,384,365
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects	213,489	0%	-
9500	93.052	National Family Caregiver Support, Title III, Part E	702,871	0%	-
9500	**93.069**	**Public Health Emergency Preparedness**	**4,315,910**	**37%**	**1,604,140**
4400	93.070	Environmental Public Health And Emergency Response	1,912,690	0%	-
9500	93.071	Medicare Enrollment Assistance Program	96,774	0%	-
9500	93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance	167,341	0%	-
9500	93.074	HPP AND PHEP Cooperative Agreement	64,077	0%	-
5600	93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	33,847	0%	-
9500	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	484,189	49%	237,139
9500	93.103	Food And Drug Administration - Research	246,264	0%	-
5600	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances(SED)	1,534,546	90%	1,386,257
9500	93.110	Maternal And Child Health Federal Consolidated Programs	81,482	0%	-
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program	89,344	0%	-
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices	93,614	0%	-
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs	716,123	63%	448,661
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)	317,147	96%	305,147
4400	93.204	Surveillance of Hazardous Substance Emergency Events	52,549	0%	-
9500	93.217	Family Planning - Services	614,486	76%	464,526

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9500	93.234	Traumatic Brain Injury State Demonstration Grant Program	242,024	99%	239,983
9500	93.236	Grants To States To Support Oral Health Workforce Activities	159,537	0%	-
9500	93.241	State Rural Hospital Flexibility Program	490,258	0%	-
5600	**93.243**	**Substance Abuse and Mental Health Services - Projects of Regional and National Significance**	**7,646,830**	**78%**	**5,988,687**
9500	93.251	Universal Newborn Hearing Screening	142,054	0%	-
9500	**93.268**	**Immunization Cooperative Agreements (Note 3)**	**11,184,945**	**1%**	**129,640**
9500	93.270	Adult Viral Hepatitis Prevention And Control	5,141	0%	-
9500	93.283	Centers For Disease Control And Prevention - Investigations And Technical Assistance	228,188	0%	-
9500	93.301	Small Rural Hospital Improvement Grant Program	201,919	0%	-
9500	93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs	524,513	0%	-
9500	93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	147,705	0%	-
9500	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	679,253	0%	-
9500	93.324	State Health Insurance Assistance Program	242,751	0%	-
9500	93.336	Behavioral Risk Factor Survey	201,786	0%	-
9500	93.448	Food Safety And Security Monitoring Project	536,984	0%	-
5600	93.500	Pregnancy Assistance Fund Program	474,679	0%	-
		Maternal, Infant, and Early Childhood Home Visiting Cluster			
9500	93.505	Affordable Care Act (ACA) Maternal, Infant, And Early Childhood Home Visiting Program (Note 9)	1,260,122	89%	1,116,773
9500	93.870	Maternal, Infant, and Early Childhood Home Visiting Grant Program (Note 9)	1,689,600	83%	1,396,805
		Maternal, Infant, and Early Childhood Home Visiting Cluster	2,949,722	85%	2,513,578
2400	93.511	Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review	679,880	0%	-
9500	93.517	Affordable Care Act – Aging and Disability Resource Center	273,404	0%	-
9500	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity	1,453,409	0%	-
9500	93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	1,104,470	0%	-
9500	93.556	Promoting Safe And Stable Families	579,312	0%	-
		Temporary Assistance for Needy Families (TANF) Cluster			
9500	**93.558**	**Temporary Assistance For Needy Families (TANF) (Note 9)**	**39,479,956**	**0%**	**-**
9500	**93.714**	**ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families (TANF) (Note 9)**	**-**	**0%**	**-**
		TANF Cluster Total	**39,479,956**	**0%**	**-**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2018 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title		2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.563	Child Support Enforcement		15,485,884	0%	-
9500	93.566	Refugee And Entrant Assistance - State Administered Programs		1,222,115	0%	-
0240	**93.568**	**Low-Income Home Energy Assistance**		**28,903,677**	**99%**	**28,545,601**
9500	93.569	Community Services Block Grant		4,232,294	0%	-
		Child Care and Development Fund (CCDF) Cluster				
9500	**93.575**	**Child Care and Development Block Grant (Note 9)**		**12,984,786**	**0%**	**-**
9500	**93.596**	**Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 9)**		**10,884,136**	**0%**	**-**
		CCDF Cluster Total		**23,868,922**	**0%**	**-**
9500	93.576	Refugee And Entrant Assistance - Discretionary Grants		243,470	0%	-
9500	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants		99,408	0%	-
1000	93.586	State Court Improvement Program		324,005	0%	-
9500	93.597	Grants To States For Access And Visitation Programs		86,798	0%	-
9500	93.599	Chafee Education And Training Vouchers Program (ETV)		102,167	0%	-
9500	93.600	Head Start		114,794	0%	-
9500	93.603	Adoption and Legal Guardianship Incentive Payments		15,507	0%	-
9500	93.627	Affordable Care Act: Testing Experience and Functional Assessment Tools		287,246	0%	-
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants	404,109			
		Developmental Disabilities Basic Support And Advocacy Grants Subaward IOD-NPH from the University of New Hampshire	1,000	405,109	0%	-
9700	93.631	Developmental Disabilities Projects of National Significance Subaward 18-033 from the University of New Hampshire		11,296	0%	-
2000	93.643	Children's Justice Grants To States		115,309	11%	12,978
9500	93.645	Stephanie Tubbs Jones Child Welfare Services Program		811,323	0%	-
9500	93.652	Adoption Opportunities		537,155	0%	-
9500	93.658	Foster Care - Title IV-E		15,717,384	0%	-
9500	93.659	Adoption Assistance		3,081,766	0%	-
9500	**93.667**	**Social Services Block Grant**		**7,961,462**	**75%**	**5,986,330**
9500	93.669	Child Abuse And Neglect State Grants		54,136	0%	-
9500	93.671	Family Violence Prevention And Services / Battered Women's Shelters - Grants To States And Indian Tribes		1,001,619	0%	-
9500	93.674	Chafee Foster Care Independent Program		418,721	0%	-

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Bolded programs were audited during the 2018 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	230,240	0%	-
9500	93.745	PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in part by Prevention and Public Health Fund	62,597	0%	-
9500	93.752	Registry Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	338,712	0%	-
9500	93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	344,983	0%	-
9500	93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	405,772	0%	-
9500	93.758	Preventive Health and Health Services Block Grant	1,863,779	29%	546,059
9500	93.767	Children`s Health Insurance Program	11,806	0%	-
		Medicaid Cluster			
2000	**93.775**	**State Medicaid Fraud Control Units (Note 9)**	**568,049**	**0%**	**-**
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Title XVIII) Medicare (Note 9)**	**2,394,718**	**0%**	**-**
9500	**93.778**	**Medical Assistance Program (Note 9)**	**1,347,895,078**	**0%**	**-**
		Medicaid Cluster Total	**1,350,857,845**	**0%**	**-**
9500	93.788	Opioid STR	732,816	0%	-
9500	93.791	Money Follows The Person Rebalancing Demonstration	100,987	0%	-
9500	93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	373,738	0%	-
9500	93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	(406,712)	0%	-
2400	93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	438,479	0%	-
9500	**93.889**	**National Bioterrorism Hospital Preparedness Program**	**819,409**	**55%**	**454,626**
9500	93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	1,574,782	26%	417,225
9500	93.913	Grants To States For Operation Of Offices Of Rural Health	171,713	0%	-
9500	93.917	HIV Care Formula Grants	1,129,035	0%	-
9500	93.940	HIV Prevention Activities - Health Department Based	335,813	56%	186,397
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	139,699	0%	-
9500	93.945	Assistance Programs for Chronic Disease Prevention and Control	541,296	0%	-
9500	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	150,012	0%	-
9500	93.958	Block Grants For Community Mental Health Services	2,006,179	94%	1,891,612
9500	**93.959**	**Block Grants For Prevention And Treatment Of Substance Abuse**	**8,740,177**	**84%**	**7,357,793**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2018 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	388,183	15%	59,087
9500	93.994	Maternal And Child Health Services Block Grant To The States	1,989,726	0%	-
9500	93.999	Behavioral Health Services Information System (BHSIS)	115,344	100%	115,229
		Department of Health and Human Services Total:	**1,566,180,931**	**4%**	**60,275,060**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title	2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Social Security Administration					
		Disability Insurance/SSI Cluster			
5600	96.001	Social Security - Disability Insurance (Note 9)	6,154,480	0%	-
5600	96.006	Supplemental Security Income (SSI) (Note 9)	-	0%	-
		Disability Insurance/SSI Cluster Total	6,154,480	0%	-
5600	96.009	Social Security State Grants for Work Incentives Assistance To Disabled Beneficiaries	1,812,044	0%	-
		Social Security Administration Total:	**7,966,524**	**0%**	**-**

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Bolded programs were audited during the 2018 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2018

State Agency	CFDA Number	Program or Cluster Title		2018 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Homeland Security						
2300	97.012	Boating Safety Financial Assistance		1,279,723	0%	-
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)		114,102	0%	-
2300	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 7)		3,022,110	96%	2,901,917
2300	97.039	Hazard Mitigation Grant		787,494	99%	781,043
4400	97.041	National Dam Safety Program		89,411	0%	-
2300	97.042	Emergency Management Performance Grants		3,933,977	0%	-
2300	97.043	State Fire Training Systems Grants		272,244	0%	-
2300	97.044	Assistance to Firefighters Grant		256,820	0%	-
0240	97.045	Cooperating Technical Partners (CTP); Subaward 12-073 from the University System of New Hampshire	7,054			
		Cooperating Technical Partners (CTP); Subaward 17-027 from the University System of New Hampshire	1,103	8,157	0%	-
2300	97.047	Pre-Disaster Mitigation		225,602	98%	221,747
2300	97.067	Homeland Security Grant Program		2,251,400	65%	1,466,699
		Department of Homeland Security Total:		**12,241,040**	**44%**	**5,371,406**
		Grand Total of All Federal Assistance:		**2,342,135,994**	**13%**	**297,234,265**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2018 audit

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, 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 $7,026,408 in federal expenditures, distributions, or issuances for the year ended June 30, 2018. Programs selected for audit 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 amount 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.

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 2018. 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 $104,154,097 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, 2018.

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	$	4,274,601
10.558	Child and Adult Care Food Program		204,009
10.559	Summer Food Service Program for Children		2,884
10.565	Commodity Supplemental Food Program		843,400
10.569	Emergency Food Assistance Program (Food Commodities)		3,078,787
	Total:	**$**	**8,403,681**

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 $59,300 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 $10,602,800 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:	$ 55,391,852
Administrative Grants:	13,864,110
Federal Employees	252,699
Ex-Servicemen:	185,945
EUC08:	(189,441)
FAC:	(6,255)
Trade Act:	148,361
Extended Benefits:	(13,068)
ATAA:	22,402
Total	$ 69,656,605

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, 2018, the State had expended a cumulative total of $12,504,934 of the $18,021,803 Election Reform payments received, leaving a remaining balance of $5,516,869.

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 Development 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):

Expenditures of $2,901,917 reported as amounts passed through to subrecipients for Public Assistance Disaster Grants for fiscal year 2018 represent reimbursements to local entities for disasters that have approved project worksheets and expenditures incurred for fiscal years 2018 and prior.

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, all of which were active in state fiscal year 2018. 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 Loan Balance	Additions	Deletions	Ending Loan Balance
$ 47,988,439	$ 54,768,347	$ -	$ 102,756,786

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	$	104,154,097
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		9,452,287
	SNAP Cluster Total	$	113,606,384
Child Nutrition Cluster			
10.553	School Breakfast Program	$	5,458,705
10.555	National School Lunch Program		26,100,381
10.556	Special Milk Program for Children		142,951
10.559	Summer Food Service Program for Children		1,041,331
	Child Nutrition Cluster Total	$	32,743,368
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program	$	1,238,474
10.568	Emergency Food Assistance Program (Administrative Costs)		208,748
10.569	Emergency Food Assistance Program (Food Commodities)		3,078,787
	Food Distribution Cluster Total	$	4,526,009
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration Program	$	3,250,932
15.611	Wildlife Restoration and Basic Hunter Education		4,462,185
	Fish and Wildlife Cluster Total	$	7,713,117
Employment Service Cluster			
17.207	Employment Service/Wagner – Peyser Funded Activities	$	2,940,089
17.801	Disabled Veterans' Outreach Program (DVOP)		944,575
17.804	Local Veterans' Employment Representative Program		-
	Employment Service Cluster Total	$	3,884,664

CFDA #	Program Title		Expenditures
Workforce Investment Act (WIA) Cluster			
17.258	WIA Adult Program	$	1,784,891
17.259	WIA Youth Activities		2,315,517
17.278	WIA Dislocated Worker Formula Grants		2,550,638
	WIA Cluster Total	$	6,651,046
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	$	164,464,091
20.219	Recreational Trails Program		983,771
20.224	Federal Lands Access Program		619,640
23.003	Appalachian Development Highway System		-
	Highway Planning and Construction Total	$	166,067,502
Federal Transit Cluster			
20.500	Federal Transit - Capital Investment Grants	$	130,301
20.507	Federal Transit – Formula Grants		3,898,763
20.525	State of Good Repair Grants Program		-
20.526	Bus and Bus Facilities Formula Program		-
	Federal Transit Cluster Total	$	4,029,064
Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals With Disabilities	$	1,945,174
20.516	Job Access – Reverse Commute		25,220
20.521	New Freedom Program		30,547
	Transit Services Programs Cluster Total	$	2,000,941
Highway Safety Cluster			
20.600	State and Community Highway Safety	$	2,475,619
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants		823,347
20.602	Occupant Protection Incentive Grants		-
20.609	Safety Belt Performance Grants		-
20.610	State Traffic Safety Information System Improvement Grants		213,237
20.611	Incentive Grant Program to Prohibit Racial Profiling		-
20.612	Incentive Grant Program to Increase Motorcyclist Safety		60,556
20.613	Child Safety and Child Booster Seat Incentive Grants		-
20.616	National Priority Safety Programs		2,767,954
	Highway Safety Cluster Total	$	6,340,713
Clean Water State Revolving Fund Cluster			
66.458	Capitalization Grants for Clean Water State Revolving Funds	$	20,312,588
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds		-
	Clean Water State Revolving Fund Cluster Total	$	20,312,588

CFDA #	Program Title	Expenditures
Drinking Water State Revolving Fund Cluster		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$ 7,838,875
66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds	-
	Drinking Water State Revolving Fund Cluster Total	$ 7,838,875
Special Education Cluster		
84.027	Special Education-Grants to States	$ 45,716,521
84.173	Special Education-Preschool Grants	1,528,102
	Special Education Cluster Total	$ 47,244,623
Aging Cluster		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	$ 1,950,572
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	2,709,593
93.053	Nutrition Services Incentive Program	1,385,646
	Aging Cluster Total	$ 6,045,811
Maternal, Infant, and Early Childhood Home Visiting Cluster		
93.505	Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Programs	$ 1,260,122
93.870	Maternal, Infant, and Early Childhood Home Visiting Grant Program	1,689,600
	Maternal, Infant, and Early Childhood Home Visiting Cluster Total	$ 2,949,722
TANF Cluster		
93.558	Temporary Assistance for Needy Families (TANF) State Programs	$ 39,479,956
93.714	Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	-
	TANF Cluster Total	$ 39,479,956
Child Care and Development Fund (CCDF) Cluster		
93.575	Child Care and Development Block Grant	$ 12,984,786
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	10,884,136
	CCDF Cluster Total	$ 23,868,922

CFDA #	Program Title	Expenditures
Medicaid Cluster		
93.775	State Medicaid Fraud Control Units	$ 568,049
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,394,718
93.778	Medical Assistance Program	1,347,895,078
	Medicaid Cluster Total	$ 1,350,857,845
Disability Insurance/SSI Cluster		
96.001	Social Security--Disability Insurance (DI)	$ 6,154,480
96.006	Supplemental Security Income (SSI)	-
	Disability Insurance/SSI Cluster Total	$ 6,154,480

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 deficiency identified that is not considered to be a material weakness?	_____	yes	X	no
Noncompliance material to financial statements noted?	_____	yes	X	no

Federal Awards:

Internal control over major programs:				
• Material weaknesses 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# 93.775, 93.777, 93.778 Medicaid Cluster – **Qualified**
CFDA# 93.558 Temporary Assistance For Needy Families – **Qualified**
CFDA# 93.069 Public Health and Emergency Preparedness – **Qualified**
CFDA# 93.889 National Bioterrorism Hospital Emergency Preparedness – **Qualified**
CFDA# 84.010 Title I Grants to Local Educational Agencies – **Qualified**
CFDA# 84.367 Supporting Effective Instruction State Grants – **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, 2018

Identification of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
SNAP Cluster	
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program For Children
10.559	Summer Food Service Program For Children
Highway Safety Cluster	
20.600	State and Community Highway Safety
20.601	Alcohol Impaired Driving Countermeasures Incentive Grant I
20.602	Occupant Protection Incentive Grants
20.609	Safety Belt Performance Grants
20.610	State Traffic Safety Information System Improvements 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
Special Education Cluster	
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education - Preschool Grants (IDEA Preschool)
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
TANF Cluster	
93.558	Temporary Assistance for Needy Families (TANF)
93.714	ARRA- Emergency Contingency Fund for TANF State Programs

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Identification of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
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
Other Programs	
84.010	Title I Grants to Local Educational Agencies
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.367	Supporting Effective Instruction State Grants
93.069	Public Health Emergency Preparedness
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance
93.268	Immunization Cooperative Agreements
93.568	Low-Income Energy Assistance
93.667	Social Services Block Grant
93.889	National Bioterrorism Hospital Preparedness Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between
Type A and Type B Programs: $7,026,408

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Part II - Financial Statement Findings

No findings relating to the State's basic financial statements 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- 5.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services			***2018-001***
NH Department of Health and Human Services			
CFDA #93.775, 93.777, 93.778 Medicaid Cluster			
Grant Year and Awards:			
10/01/2015 – 09/30/2016	***MP***	***1605NH5MAP***	
10/01/2016 – 09/30/2017	***MP***	***1705NH5MAP***	
10/01/2017 – 09/30/2018	***MP***	***1805NH5MAP***	
10/01/2015 – 09/30/2016	***MT***	***1605NH5ADM***	
10/01/2016 – 09/30/2017	***MT***	***1705NH5ADM***	
10/01/2017 – 09/30/2018	***MT***	***1805NH5ADM***	

Finding: Unallowable Activities and Costs

Criteria:

Funds can be used only for Medicaid benefit payments (as specified in the State plan, Federal regulations or an approved waiver), expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units (42 CFR section 435.10, 440.210, 440.220, and 44.180).

Condition:

Federal Designated State Health Program (DSHP) expenses are allowed only for certain specific expenditures through the Bureau of Public Health, the Bureau of Drug and Alcohol Services and the Bureau of Mental Health Services. During the State fiscal year ended June 30, 2018, the Department of Health and Human Services (the Department) provided Medicaid funds for unallowable activities and costs. The Department provided for certain General fund expenses through the DSHP. While half of the DSHP expenditures related to Integrated Delivery Network (IDN), the other half of expenditures funded the Bureau of Drug & Alcohol Services and Division of Behavioral Health providers and vendor contracts.

During our testwork, we inspected forty (40) payments relating to thirteen (13) contracts and noted that six (6) payments relating to two (2) contracts were for design and construction activities and costs, which are not considered DSHP eligible.

Cause:

The Department's unfamiliarity with specific conditions of the 1115 Waiver rendered their normal policies and procedures ineffective and not precise enough to detect non-compliance of certain activities and costs charged to the program.

Effect:

The effect is non-compliance with the allowable activities and costs requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Questioned Costs:

$590,570 Total
$295,285 Federal share

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 develop and implement procedures to provide reasonable assurance the Federal funds are used for authorized purposes in accordance with Federal regulations.

Views of Responsible Officials:

We concur with the finding and offer the following Corrective Action Plan:

The Department will ensure that all applicable employees are immediately given proper documentation of allowable and non-allowable costs of the program. Further, a peer review of the quarterly reporting of expenses will be completed to ensure compliance with all regulations of the program.

A Prior Quarter Adjustment (PQA) will be processed to adjust the SFY18 expenses that were not allowable. Following that adjustment, the CMS64 will be processed showing this adjustment.

Responsibility for these measures would lie with the Financial Manager and or Budget Team Member of the applicable division.

Anticipated Completion Date:

April 30, 2019

Contact Persons:

Jayne Jackson, DBH Financial Reporting Administrator II

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***Finding 2018-002***
NH Department of Health and Human Services

CFDA #93.775, 93.777, 93.778 Medicaid Cluster

Grant Year and Awards:

10/01/2015 – 09/30/2016	***MP***	***1605NH5MAP***
10/01/2016 – 09/30/2017	***MP***	***1705NH5MAP***
10/01/2017 – 09/30/2018	***MP***	***1805NH5MAP***
10/01/2015 – 09/30/2016	***MT***	***1605NH5ADM***
10/01/2016 – 09/30/2017	***MT***	***1705NH5ADM***
10/01/2017 – 09/30/2018	***MT***	***1805NH5ADM***

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).

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 manages the Department's 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 noted that the Department has traditionally contracted with an external QIO. As part of its contract the QIO is required to perform reviews over inpatient hospital paid claims. The Department was without a QIO since September 2014 but procured a new QIO contractor in June 2017 and the new QIO started performing reviews in September 2017. In accordance with the approved contract, the QIO was required to perform 4,000 reviews and during our procedures we noted that there were 1,796 reviews outstanding at June 30, 2018. Additionally, we noted during our procedures that of the backlogged reviews, 393 reviews were outstanding as of the period ended June 30, 2018.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Cause:

The PIU has had to rely upon an external QIO to perform the required reviews of inpatient claims which included a backlog of cases since 2014. This includes the lack of resources of staff with a learning curve of 6 months as well as system development of the QIO to complete the 4,000 cases per contract period.

Effect:

The potential effect of the condition found is risk of non-compliance with the utilization control and program integrity requirement which may result in untimely detection and correction of 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 2017-006

Recommendation:

We recommend that the Department strengthen its 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.

Views of Responsible Officials:

Program Integrity concurs with the finding and is involved with regular communications with external contractor on completed review process and case review status. We have implemented a work plan with the QIO for monthly case updates and number of reviews completed each month submitted to PIU. QIO is working diligently to perform the current and backlog reviews by June 30, 2019.

Anticipated Completion Date:

September 30, 2019

Contact Person:

Karen Carleton, RN
Program Integrity Administrator, Bureau of Improvement and Integrity

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-003***
NH Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant, Title XX

Grant Year and Award:
10/01/2014 – 09/30/2016 1501NHSOSR

Finding: Reporting and Period of Performance

Criteria:

Funds transferred into SSBG from TANF pursuant to section 404(d)(3)(A) shall not be subject to the requirements of TANF (except as required under 404(d)(3)(B)) but are subject to the rules and regulations pertaining to the SSBG program corresponding to the fiscal year when the funds are transferred. The transferred funds and regular SSBG funds granted the State during a fiscal year are subject to the two-year timely filing provisions contained in 45 CFR Part 95.1.

If TANF funds transferred pursuant to section 404(d)(3)(A) remain unliquidated by the end of the two-year expenditure time limit the State may transfer these funds back to TANF if the transfer back to TANF occurs before the end of the two-year expenditure period. The funds transferred back to TANF must be included in the prior year unobligated balances (corresponding to the year the funds were awarded from the TANF agency) and expended on TANF assistance.

Per the Terms and Conditions of the Award and the HHS Grants Policy Statement, a Federal Financial Report (FFR) is required to be submitted within 90 days for each 12 month budget period. An interim report (covering Year 1 of the project period) is due 90 days following the end of the Federal Fiscal Year 1; and, a Final report (cumulative, covering the entire 2-year project period) is due 90 days following the end of the Federal Fiscal Year 2.

Condition:

During the State fiscal year ended June 30, 2018, we noted that the Department transferred approximately $936,937 from TANF to the Social Services Block Grant (SSBG) program for the 2016 grant. 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. However, based on our review of the DCYF subaward payments and the GYR 2016 Federal Financial Report, we noted that the payments made to subrecipients was less than the total transfer which resulted in an unobligated balance of Federal funds in the amount of $191,413 which was not transferred back to TANF before the end of the two-year expenditure period (09/30/2017).

Additionally, during our reporting testwork, we noted that the GYR 2016 Federal Financial Report was required to be submitted as a final report prior to 12/31/2017 but the Department submitted an annual report on 12/06/2017.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Cause:

The State Department's policies and procedures are not designed to ensure that the required reports are submitted nor are they designed to ensure that the total TANF transfer is used within the two-year timely filing provisions contained in 45 CFR Part 95.1.

Effect

TANF Federal funding transferred to the SSBG program may be lost.

Questioned Costs:

$191,413 based on the unobligated balance of the TANF transfer

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 monitoring of the Federal program expenditures to ensure the TANF transfer amounts provided for programs and services to children or their families is not lost.

Views of Responsible Officials:

The Department concurs. Policies and procedures for completing the SSBG and TANF expenditure reports will be updated to ensure that the proper monitoring occurs.

Anticipated Completion Date:

July 1, 2019

Contact Persons:

Rebecca Lorden, Human Services Finance Director
Mary Calise, Deputy Chief Finance Officer
Hannah Glines, Revenue Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services	***2018-004***
NH Department of Health and Human Services	
CFDA # 93.667 Social Services Block Grant, Title XX	
Grant Year and Awards:	
10/01/2014 – 09/30/2016	***1501NHSOSR***
10/01/2015 – 09/30/2017	***1601NHSOSR***
10/01/2016 – 09/30/2018	***1701NHSOSR***

Finding: Lack of Subaward Agreement with Subrecipient

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, 2018, 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. As part of our subrecipient monitoring testwork over the Social Services Block Grant program, we reviewed the subrecipient listings maintained by the Bureau of Improvement and Integrity, Division for Children, Youth and Families, Bureau of Elderly and Adult Services, and Bureau of Developmental Services to identify the Department's subrecipients and noted the Department identified thirty-eight (38) subrecipients during the audit period. We also reviewed the payments made to subrecipients during the audit period and noted that the Department made payments to forty (40) subrecipients. After further review, we noted that one (1) of the two (2) subrecipients received payments for a prior year subaward agreement. However, we noted the other subrecipient was not identified and after review of the payment details the Department paid the subrecipient without an approved and executed subaward agreement. In accordance with the Department of Administrative Services Manual of Procedures Section V, all state Departments and Agencies must seek approval of both receipt and

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

expenditures of state and federal funds, budgetary transfers within the department and all personal service contracts with a value of $10,000 and all contracts with a value of $10,000.

Cause:

The State Department's policies and procedures relating to subrecipients did not include a process to ensure that all subrecipients are identified and payments are made only for an approved and fully executed subaward agreement.

Effect:

The possible effect is non-compliance with the subrecipient monitoring requirements.

Questioned Costs:

$30,000

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 provide reasonable assurance that the subrecipient activities are in accordance with Federal regulations including establishing a process to identify subrecipients and the amount of Federal funds provided in order to create a master subrecipient list based on actual amounts provided and not contracted amounts.

Views of Responsible Officials:

We concur, in part, with the finding. The Department did pay the identified sub-recipient without an approved and executed subaward agreement.

However, there was an established and comprehensive process for monitoring and oversight. Additionally, we do not concur that there are any questioned costs. The monitoring and oversight of sub-recipients activities are well established. A detailed monthly progress note is required for both case management and family support services. These notes must include updates regarding the chronic condition status and family support needs as well as specific encounter information. The Monthly Progress Notes are submitted to the State Office and are reviewed by a Program Manager prior to having invoices approved.

All funding provided to the sub-recipient is consistent with the planned activities identified in the Social Services Block Grant (SSBG) Annual plan: as described under "Family Support and Case Management for Children with Chronic Conditions".

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The Department will comply with the requirement for an approved and executed subaward agreement for future SSBG funding for all subrecipients. The SSBG subrecipients will be catalogued and as part of the Annual Report data compilation, the approved and executed subaward agreements will be verified.

Anticipated Completion Date:

July 1, 2019

Contact Persons:

Nathan White, Grants Manager
Elizabeth Collins, Administrator/CYSHCN Director, Bureau of Special Medical Services

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-005***
NH Department of Health and Human Services

CFDA # 93.959 Substance Abuse Block Grant

Grant Year and Awards:
10/01/2015 – 09/30/2017 **3B08T1010035-16S1**
10/01/2016 – 09/30/2018 **3B08T1010035-17S1**

Finding: Reporting

Criteria:

Per the Terms and Conditions of the Award and the HHS Grants Policy Statement, a Federal Financial Report (FFR) is required to be submitted within 90 days for each 12 month budget period. An interim report (covering Year 1 of the project period) is due 90 days following the end of the Federal Fiscal Year 1; and, a Final report (cumulative, covering the entire 2-year project period) is due 90 days following the end of the Federal Fiscal Year 2.

Condition:

During the State fiscal year ended June 30, 2018, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal reporting requirements. Based on the procedures performed, we noted that the Department did not submit two (2) of the required Federal reports. We noted that there were three (3) active grants during the SFY 2018 of which the GYR 2016 Final Federal Financial report (FFR) and the GYR 2017 Annual FFR report were required to be reported as there were expenditures through the reporting period of September 30, 2017. These reports were required to be submitted no later than December 30, 2017.

Cause:

The Finance Department did not have the necessary policies and procedures in place to ensure required reports are submitted.

Effect:

The effect is non-compliance with the timely submission of the reports as required by the Federal requirements.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 develop and implement the procedures to provide reasonable assurance that the required reports are submitted in accordance with the applicable requirements.

Views of Responsible Officials:

The Department concurs. The area of Finance that was responsible for submitting the reports did not have the necessary procedures in place to ensure reports were filed. Effective on July 1, 2018 all federal reports in this area were moved to the central federal reporting area where there are procedures in place to ensure timely filing.

Anticipated Completion Date:

July 1, 2018

Contact Person:

Hannah Glines, Revenue Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-006***
NH Department of Health and Human Services

CFDA # 93.959 Substance Abuse Block Grant

Grant Year and Awards:
10/01/2015 – 09/30/2017 **3B08T1010035-16S1**
10/01/2016 – 09/30/2018 **3B08T1010035-17S1**

Finding: Special Test and Provision – Independent Peer Reviews

Criteria:

The State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing the services. The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process (42 USC 300x-53(a); 45 CFR section 96.136). States may satisfy the independent peer review requirement by demonstrating that at least 5 percent of their entities providing services obtained accreditation, during their fiscal year, from a private accreditation body such as the Joint Commission on the Accreditation of Healthcare Organizations, the Commission on the Accreditation of Rehabilitation Facilities, or a similar organization.

Condition:

During the State fiscal year ended June 30, 2018, the Department of Health and Human Services (the Department) did not fully implement controls to ensure the special test and provision requirement relating to the independent peer reviews of treatment facilities providing services in New Hampshire was met. During the audit, the Department did not demonstrate at least 5 percent of the entities providing services in New Hampshire were reviewed as the procured contractor could not complete the annual peer review of the selected facility due to a confidentiality issue.

However, in accordance with Federal regulations noted above, the State may satisfy the independent peer review requirement by demonstrating that at least 5 percent of their entities providing services obtained accreditation during their fiscal year, from a private accreditation body such as the Joint Commission on the Accreditation of Healthcare Organizations, the Commission on the Accreditation of Rehabilitation Facilities, or a similar organization instead. The Department did provide a copy of one accreditation which is 5 percent of the treatment facilities and therefore was in compliance with the special test on an annual basis. However, the Department's process to ensure compliance with this requirement does not include controls that document compliance using facilities accreditation to meet the requirement.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Cause:

The Department has not implemented policies, procedures and controls precise enough to ensure the independent peer reviews are performed annually or accreditations are collected annually and documented to evidence compliance.

Effect:

The effect is weakness in controls over the independent peer reviews as required by the Federal 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:

We recommend management implement a formal process to verify and document that 5 percent of the treatment facilities funded with block grant funds are either included in the annual independent peer review contract or accredited in accordance with the Federal requirement.

Views of Responsible Officials:

We concur in part.

The Department has a management control in the form of a contract requirement for an annual independent peer review to be completed. During SFY18, a review was started and circumstances occurred which required DHHS legal department to research a confidentiality issue. While this was taking place, the contractor was precluded from completing the review until a determination was made. There was insufficient time to schedule and complete the review by June 30, 2018 when this was resolved.

We are in the process of scheduling the SFY19 independent peer review to ensure this is completed in a timely manner. In addition, recurring reminders have been placed in staff calendars to ensure that these reviews are scheduled in a timely manner going forward.

In the unusual circumstance it appears this requirement will not be met, the Department will look at additional controls such as receiving copies of accreditation reports from the providers to fulfill this requirement.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Anticipated Completion Date:

March 8, 2019

Contact Person:

Jaime Powers, Clinical Services Unit Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-007***
NH Department of Health and Human Services

CFDA# 93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:
2017G996115 10/1/16-9/30/17
2018G996115 10/1/17-9/30/18

Finding: Incorrect sanctioning of benefit, Noncompliance under Special Test - Child Support Noncooperation and Adult Custodial Parent of Child Under Six When Childcare Not Available

Criteria:

If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. HHS may penalize a State for up to five percent of the SFAG for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR sections 264.30 and 264.31).

If an individual is a single custodial parent caring for a child under the age of six, the State may not reduce or terminate assistance for the individual's refusal to engage in required work if the individual demonstrates to the State an inability to obtain needed child care for one or more of the following reasons: (a) unavailability of appropriate child care within a reasonable distance from the individual's home or work site; (b) unavailability or unsuitability of informal child care by a relative or under other arrangements; or (c) unavailability of appropriate and affordable formal child care arrangements. The determination of inability to find child care is made by the State. HHS may penalize a State for up to five percent of the SFAG for violation of this provision (42 USC 607(e)(2) and 609(a)(11); 45 CFR sections 261.15, 261.56, and 261.57).

45 CFR 75 303(a) states the non-Federal entity 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Condition:

During our testwork over special tests and provisions related to the sanctioning of benefits, we noted the following:

1 For 1 of 40 participants selected for testwork related to sanctions for failure to cooperate with the Department for Child Support Services, the participant had been incorrectly sanctioned resulting in an incorrect reduction of benefits paid to the participant. The error had been identified previously by the Department and the sanction had been lifted, however, the participant did not receive a supplemental payment of benefits to rectify the payment reduction. As a result, the participant was underpaid the amount of benefits eligible to receive.

2 For 1 of 40 participants selected for testwork related to sanctions for failure to comply with work requirements, the participant had been incorrectly sanctioned resulting in an incorrect reduction of benefits paid to the participant. The error had been identified previously and the sanction had been lifted, however, the participant did not receive a supplemental payment of benefits to rectify the payment reduction. As a result, the participant was underpaid the amount of benefits eligible to receive.

Cause:

The cause of the condition found was a result of insufficient controls and procedures in place to ensure retroactive benefits were paid to each participant. In both cases, the participant did not timely provide the appropriate documentation to prevent the penalty from being placed. Subsequent to being sanctioned, the participant provided the required documentation to support that a sanction was not warranted. While the Department reviewed the documentation and lifted the sanction from being applied to future benefits, it did not retroactively pay the prior sanctioned benefit amount that the participant was eligible to receive as required.

Effect:

The effect of the condition found is that participants did not receive the full benefit amount that they were eligible to receive.

Questioned Costs:

None

Repeat Finding:

No

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, 2018

Recommendation:

We recommend that the Department enhance its existing policies and procedures to ensure there are sufficient controls in place to provide retroactive benefits to participants that are improperly sanctioned as a result of a delay in the receipt of documentation from participants to support that a sanction is not warranted.

View of Responsible Officials:

We concur. We agree that the individuals' sanction should have been lifted, or that a supplement should have been issued when the recertification completed. Staff will be reminded to look at all aspects of a case when they are confirming a recertification including potential for retroactive benefits.

The training unit will be engaged in this effort along with supervisors.

Anticipated Completion Date:

August 31, 2019

Contact Person:

Maureen Burke, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-008***
NH Department of Health and Human Services

CFDA# 93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:
2017G996115 10/1/16-9/30/17
2018G996115 10/1/17-9/30/18

Finding: Insufficient documentation to support compliance with required maintenance of effort (MOE) requirements as it relates to in-kind contributions from third party organizations

Criteria:

Every fiscal year, a State must maintain an amount of "qualified state expenditures" (as defined in 42 US 609(a)(7)(B) and 45 CFR section 263.2) for eligible families (as defined in 42 USC 609(a)(7)(B)(i)(IV) and 45 CFR section 263.2(b)) at least at the applicable percentage of the State's historic State expenditures.

Qualified expenditures with respect to eligible families may come from all programs. This requirement may be met through allowable state or local cash expenditures for goods and services, cash donations by non-governmental third parties, or the value of third party in-kind contributions. A State's records must show that all costs are verifiable and meet all applicable requirements in 45 CFR sections 263.2 through 263.6.

45 CFR 75 303(a) states the non-Federal entity 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.

Condition:

For the federal fiscal year ending September 31, 2017, the State was required to meet an annual MOE requirement of $32,115,003. In total, the State incurred $36,271,757 in eligible MOE expenditures, which exceeded the amount required. Of the MOE expenditures incurred, $9,256,657 represented in-kind contributions from 13 community organizations. On an annual basis, each community organization completes a TANF Maintenance of Effort form to report expenses that qualify as TANF expenditures. The form requires a description of the program operated and what TANF purpose the program addresses, the number of families served, and the amount of eligible expenditures in total. The form is signed by the organization and submitted to the State to serve as the supporting documentation for the in-kind contribution provided by the community organization. No additional documentation is provided by the community organization to support the amount of the expenditures included on the form. The State does not perform procedures to ensure expenditures reported by the community organization are accurate and represent valid expenditures that were incurred to support the program outlined within the form and therefore to ensure the in-kind contribution used to support the required MOE is appropriate.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Cause:

The cause of the condition found was a result of insufficient controls and procedures in place to ensure the expenditures reported by the community organization are properly supported by valid expenditures that meet the criteria of qualified TANF expenditures.

Effect:

The effect of the condition found is that the State may not meet the required annual MOE requirement as in-kind contributions may not be complete or represent qualified expenditures and they do not have controls and procedures in place to identify the noncompliance timely.

Questioned Costs:

Not determinable.

Repeat Finding:

No

Whether Sampling Was Statistically Valid:

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

Recommendation:

We recommend that the Department implement controls and procedures to ensure that in-kind contributions used to support MOE are reviewed to ensure that the expenditures are accurate and meet the definition of qualifying expenditures.

View of Responsible Officials:

The Department does not concur. We have procedures to ensure that in-kind contributions used to support MOE are reviewed to ensure that the expenditures are accurate and meet the definition of qualifying expenditures. The procedures the Department performs include meeting with the providers to provide them with training and support on the front end to ensure amounts reported are complete and accurate and in accordance with Federal regulations. The Department understands the definition of third party in-kind contributions is:

Third-party in-kind contributions means the value of <u>non-cash contributions</u> (i.e., property or services) that:

(1) Benefit a federally assisted project or program; and
(2) Are contributed by non-Federal third parties, without charge, to a non-Federal entity under a Federal award.

The Department requires that the providers certify allowable expenditures which is how it verifies the amounts provided are accurate and complete. The Department has forwarded all of the documents that the

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

providers submitted certifying allowable expenditures. In addition, we have submitted the specific Memorandum of Understandings (MOUs) that were requested.

Anticipated Completion Date:

N/A

Contact Person:

Maureen Burke, Administrator III

KPMG Rejoinder:

The Department stated in their response that it verifies the completeness and accuracy of the third party in-kind match through certifications the providers submit. Per review of the signed certifications, we noted the certification contains a description of the general purpose of the program, an identification of the TANF purpose the program addresses, the number of families/individuals served, the expenses incurred under the program, excluding any federal and state funds received. While we were provided with documentation to support that the third party certifications were received, we were not provided with evidence to support the Department had performed additional procedures to verify the incurred costs were complete and accurate as required by 45 CFR section 263.2(e) and 75.306.

We do not agree that a certification alone from a third party meets the definition of a verifiable cost from the third parties records.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-009***
NH Department of Health and Human Services

CFDA# 93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:
2017G996115 10/1/16-9/30/17
2018G996115 10/1/17-9/30/18

Finding: Special Test and Provision - Insufficient documentation to support work verification activities

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 may count for participation rate purposes; (b) determine how to count and verify reported hours of work: (c) identify who is a work-eligible individual; and (d) control internal data transmission and accuracy. Each State agency must comply with its 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 SFAG for violation of this provision (42 USC 601, 602, 607, and 609); 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64 and 261.65).

Condition:

Participants receiving benefits under the TANF program are required to report their hours worked to the Department on a monthly basis. During our testwork over the accuracy of reported work activities used to support the State's work participation rates, we noted for 1 of 40 participants selected for testwork, the Department lacked sufficient documentation to support the hours reported within the work program and activity verification screens within the New Heights system.

Cause:

The cause of the condition found was a result of insufficient controls and procedures in place to ensure that the hours reported within the work programs and activity verification screen within New Heights is properly supported with pay stubs, a self-employment log or other employment verification documentation.

Effect:

The effect of the condition found is that the State may not have appropriate documentation to support its compliance with the required work participation rate.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Questioned Costs:

Not determinable

Repeat Finding:

No

Whether Sampling Was Statistically Valid:

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

Recommendation:

We recommend that the Department review its existing policies and procedures for obtaining documentation from participants to support work related activities and ensure that the appropriate documentation is obtained and that the records are maintained for each participant.

View of Responsible Officials:

We concur. In regards to this instance related to employment hours not being documented; the State has confirmed those hours were entered as a self-attestation and then verified without receiving supporting verification.

This case reflects a training issue that will be addressed with refresher trainings with the specific staff whom are still active employees.

Anticipated Completion Date:

Supervisors of the specific staff will have until April 30, 2019 to issue refresher training and report completion to the BFA Bureau Chief.

Contact Person:

Maureen Burke, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-010***
N.H. Department of Health and Human Services

CFDA# 93.575 Child Care and Development Block Grant (CCDF)
CFDA# 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Grant Year and Awards:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
10/1/2015 – 9/30/2018 2016G996005
10/1/2014 – 9/30/2017 2015G996005

Finding: Internal controls over and compliance with the Health and Safety federal requirements were not operating effectively for the entire fiscal year

Criteria:

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.

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. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Department's key controls to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements, are to maintain current licenses and provider agreements with all providers.

Condition:

Through our testwork over the Health and Safety requirements, we noted 2 out of 3 out-of-state providers had expired licenses which were not in effect for fiscal 2018. Due diligence was not performed in a timely manner to request renewed licenses from the out of state providers. The State continued to pay these providers after the license expired a total of $26,858. Further, there appeared to be a lack of communication channels established for NH Health and Human Services (HHS) to be informed of complaints or noncompliance with the providers licensing that occurred in another state.

Further, 4 out of 27 providers did not have a current provider agreement, required once every three years, in effect for fiscal year 2018. The provider agreement is signed by the provider who attests to complying with all laws, rules, policies and procedures including enrollment and billing for the CCDF program.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Cause:

There was no formalized system in place to ensure that all of the providers' licenses are current.

Effect:

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

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 2017-009

Recommendation:

We recommend the Department implement controls to ensure the proper due diligence is performed over ensuring a current license exists for any out of state providers as well as ensuring provider agreements for in state providers are updated every three years. Further, HHS should establish lines of communication with other states where HHS pays out of state providers to be informed of any provider's noncompliance with inspections or federal laws.

Views of Responsible Officials:

We concur. In December 2018, we met weekly and updated all of the current files. In addition, we have developed procedures to ensure that CCDF Out-of-State provider files include valid child care licenses from their home state and current provider agreements.

The Region One Office for Children has been working with its states including New Hampshire to support them in developing a plan for cross-border management of the CCDF Providers. These efforts have included facilitated technical assistance calls throughout the fall along with a workshop session at the STAM conference in August 2018. In addition, a planned technical assistance call in March/April will lay the groundwork for the face-to-face CCDF Regional Conference May 8th – 10th in Portsmouth. At this conference a tract is dedicated to creating a plan for cross-border relations including ensuring providers meet the CCDF requirements, a method for monitoring license status and determining if the provider needs to be a CCDF registered provider in both states.

Anticipated Completion Date:

April 1, 2019 for the in house systems and September 30, 2019 for the cross border processes

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Contact Persons:

Dianne Chase, Assistant Bureau Chief as Operations Supervisor

Marlene Burton, Provider Enrollment

Karima Barniat, Provider Documentation

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-011***
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 Awards:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
10/1/2015 – 9/30/2018 2016G996005
10/1/2014 – 9/30/2017 2015G996005

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:

The Treasury State Agreement (TSA) effective for fiscal 2018 lists separate funding techniques for each CFDA# included in the child care cluster: CFDA# 93.575 Child Care Development Block grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund. In the TSA, the funding technique for CFDA# 93.575 is actual draw-quarterly only; however, the Department also draws funds under this CFDA through the cash management improvement act with a 3 day clearance pattern.

Further, we were provided an incomplete listing of cash draws for the period, noting certain discretionary and mandatory draws were not included in the population. We identified these through our reconciliation of the draw population received to the grant ledgers.

Cause:

The Department of Administrative Services (DAS) in conjunction with the Treasury do have formal procedures for communicating funding techniques included in the Treasury State Agreement (TSA). These procedures include a review of the current year's TSA to ensure alignment with agency practices prior to the end of each fiscal year and an inquiry as to the desired funding techniques to be included in the upcoming TSA. In the event a misalignment is identified, the Treasury will then amend the document as necessary.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Although these communications occurred, the timing of the communication initiated by DAS was later than in the prior year which resulted in a need to produce and submit the upcoming TSA simultaneously with the necessary amendment of the current year's TSA. Due to limitations in the processes associated with the production and amending of TSA documents, Treasury was unable to perform the amendment to the 2018 TSA.

The Department of Health and Human Services did not follow their stated procedure to ensure the population of cash draws provided for audit purposes reconciles to the corresponding population of expenditures.

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:

Yes 2017-010

Recommendation:

We recommend the Department review its existing procedures for drawing federal funds to ensure that all cash draw requests are performed timely and in accordance with the clearance patterns established within its Treasury State Agreement. Further, we recommend populations provided for audit be reconciled first.

The Department of Administrative Services (DAS) and the NH State Treasury

DAS and Treasury concur.

DAS and Treasury will review the formal policy associated with communicating funding techniques in the TSA adjusting the timing of the execution of the control activity to prevent future failures.

The Department of Health and Human Services:

The Department concurs with the conditions surrounding the cash draw population. The Department will review the current procedures for providing cash draw populations during the audit, and strengthen controls as necessary. Specifically, the Fiscal Unit will reconcile the cash draws pertaining to the Auditor's request to the Federal Ledgers prior to supplying the information.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Anticipated Completion Date:

July 1, 2019

Contact Persons:

Department of Administrative Services:
Steven Giovinelli, Federal Grants and Cost Allocation Administrator

NH State Treasury:
Rachel Miller, Deputy Treasurer

Department of Health and Human Services:
Mary Calise, Deputy Chief Financial Officer

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-012***
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 Awards:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
10/1/2015 – 9/30/2018 2016G996005
10/1/2014 – 9/30/2017 2015G996005

CFDA #93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:
2017G996115 10/1/15-9/30/17
2018G996115 10/1/17-9/30/18

Finding: General Information Technology Controls related to access to programs and data within the Bridges application were not operating effectively for the period

Criteria:

Per 2 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 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 Bridges application (the application) for the Child Welfare system and the Child Care Development fund program, specifically related to the payment of benefits. As a result of testing performed over Bridges, we have determined that certain General Information Technology Controls (GITCs) related to the application were not designed adequately or operating effectively for the period.

During our review, we noted that, for 25 of the 25 samples selected, evidence supporting the timely removal of access to the Bridges application was not available. Further, the audit team compared the termination list for the entire audit period to the active user listing and noted 4 additional terminated users that were not removed in a timely manner. For each of these 29 terminated users, systematic evidence was obtained and reviewed to determine whether access rights were used subsequent to termination date. It was identified that for 1 of 29 the terminated users, access rights were used subsequent to the individual's termination date.
During our review, we noted that the annual user access review for the Bridges application and related infrastructure was not completed for the period.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

During our review, we noted that, for 15 of the 15 samples selected, evidence supporting the request and approval process for provisioning of user access for new and modified users was not available.

When completing the monthly review of access to the datacenter, documentation supporting the performance of the review should be retained. During our review, we noted that for one month, management did not retain the documentation supporting the performance of the review. Management prepared and the audit team obtained and reviewed a retroactive review of datacenter access and noted that access was appropriate for the month with no changes requested.

On at least an annual basis, management should complete a disaster recovery test. During our review, it was noted that a disaster recovery was not performed.

Cause:

With regards to the timely removal of terminated users, management did not retain systematic evidence and did not have the ability to obtain historic systematic evidence to support the timely removal of user access rights from the application or related infrastructure.

With regards to the performance of an annual review of user access rights to the application and related infrastructure, management has not designed and implemented a control for this process.

With regards to provisioning user access rights for new and modified users, management did not retain documentation to support the request and approval process relative provisioning of access to the application and related infrastructure.

With regards to the review of access to the datacenter, the reviewer did not retain the evidence of review for one month. When access rights are not formally reviewed, there is an increased risk that unauthorized users may have access to the datacenter which houses Bridges infrastructure.

With regards to the disaster recovery test, when a test is not performed on an annual basis, there is an increased risk that in the case of a disaster the data will not be able to be restored completely and accurately.

Effect:

When accounts for terminated employees are not disabled and/or removed in a timely manner, there is an increased risk of inappropriate access to the application and related infrastructure.

When user access rights to the application and related infrastructure is not reviewed for appropriateness, there is an increased risk of inappropriate access to the application and related infrastructure.

When access rights are not provisioned as requested for new and modified user accounts, there is an increased risk of inappropriate access to the application and related infrastructure.
Inappropriate access to the datacenter for Bridges increases the risk that physical access to the Bridges application and related infrastructure hardware could become compromised leading to an increased risk of operational downtime.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

When disaster recovery tests are not completed successfully, there is an increased risk that, in the event of a disaster, critical data may not be restored completely and accurately leading to an increased opportunity for error.

Questioned Costs:

None

Repeat Finding:

No

Whether Sampling Was Statistically Valid:

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

Recommendation:

Management should reinforce policies and procedures to ensure that documentation supporting the timely removal of user access rights to the application and related infrastructure for terminated employees is retained.

Management should reinforce the policies and procedures to ensure that the performance of an annual review of user access rights is completed on at least an annual basis.

Management should reinforce policies and procedures to ensure that documentation supporting the request and approval process relative to provisioning access for new and modified users is retained.

Management should reinforce policies and procedures to strengthen controls to validate users are appropriate to the datacenter and inappropriate access is removed in a timely manner.

Management should perform procedures necessary to strengthen controls to validate the disaster recovery tested completed successfully.

View of Responsible Officials:

ITEM #1 Timely removal of access: The Department concurs. There is a process in place to request and track terminations. There is a plan in place to work with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to ensure that notification of termination for users of the Bridges application occurs in a consistent and timely manner, resulting in timely removal of access rights. As this is believed to be a training issue rather than a technical one the training will be completed by March 31, 2019.

ITEM#2 Annual user access review: The Department concurs. There is a process in place to review accounts on a regular basis. There is a plan in place to work with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to provisioning access for new and modified users

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

to ensure that the annual user access review is completed in a timely manner. As this is believed to be a training issue rather than a technical one the training will be completed by March 31, 2019.

ITEM#3 New user approval process: The Department concurs. There is a process in place to request and track new accounts. There is a plan in place to work with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to provisioning access for new and modified users to ensure accounts are provisioned appropriately based on requests. As this is a training issue rather than a technical one the training will be completed by March 31, 2019.

ITEM#4 Retention of documentation– Review of access to the datacenter: The Department concurs. This is being addressed at the Department of Human Services level in conjunction with Department of Information Technology (DoIT). As this is an Enterprise Wide issue, DCYF will follow the direction of the Department. Target completion date March 31, 2019.

ITEM#5 Annual disaster recovery testing: The Department concurs. The Bridges Disaster Recovery Plan is current. The Bridges team is planning to execute and document an annual a system restoration test to validate that controls are in place to restore the system in the event of a disaster. As this is believed to be a training issue rather than a technical one the training will be completed by December 31, 2018.

Anticipated Completion Date:

March 31, 2019

Contact Person:

Steve DeGiso, Office of Information Systems

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-013***
N.H. Department of Health and Human Services

CFDA # 93.268 Immunization

Grant Year and Awards:
01/01/2013- 06/30/2018 NH23IP000757-05-00
01/01/2013-06/30/2018 NH23IP000757-05-01
01/01/2013-12/31/2017 NH23IP000757-05-03

Finding: Subrecipient Monitoring

- ***Programmatic risk of noncompliance with Federal regulations is not evaluated***
- ***Financial and programmatic monitoring of subrecipient activities was not formalized***
- ***Certain required information is not communicated at the time of award***

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 communicate federal award information at the time of the award of federal funds to the subrecipient and at the time of disbursement of funds to the subrecipient.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Condition:

The Department of Health and Human Services (the Department) uses sub-recipients to perform programmatic portions of the Immunization program, such as contracting for public health nurse coordinators (PHNCs) and contracts with six public health networks (PHNs) for the purposes of school-based influenza vaccine clinics.

During our review, we noted controls, policies and procedures over subrecipient monitoring have been improved and have become more formally documented, but we did not deem the documents completed. Further, there appeared to be a draft of established processes over evaluating the subrecipient's risk of noncompliance, but it was not consistently implemented and programmatic risk of noncompliance is not formally evaluated.

Federal regulations require internal controls be established and maintained, and the activities of a subrecipient monitored through programmatic and financial reviews as necessary to ensure the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals. The process to monitor the Public Health Networks could be formalized and improved. Specifically, school based clinics attended by the Department were not formalized nor were the results of the visit including follow up of any issues identified.

At the time of the subaward, the Department did not make the 2 subrecipients tested aware of all of the award information required by 2 CFR section 200.331 (a) specifically not including federal award date, and name of federal awarding agency as the contracts span past fiscal 2018.

Cause:

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

Effect:

Noncompliance with the Subrecipient Monitoring Federal regulations may result in subrecipients not complying with terms and conditions of the subaward and achieve performance goals.

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 2017-025

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Recommendation:

The Department should ensure its policies and procedures for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient and continue to be formalized to meet the federal requirements. Specifically, each subrecipient's risk of programmatic noncompliance for purposes of determining the appropriate monitoring related to the subaward needs to be formally documented and implemented, and the subawards must contain award information required by 2 CFR section 200.331.

Views of Responsible Officials

We concur in part. The Department developed procedures to formalize the risk assessment for all sub-recipients and trained program and finance staff on those procedures in SFY 2018. The formal risk analysis for these contracts was not completed until March 2019. The Department anticipates full compliance at the issuance of the next contract.

Subrecipient activities were monitored in accordance with federal requirements. Federal requirements state the Department should monitor based on risk. While not formally documented within the new risk assessment, the sub recipients had been determined to be low risk and were monitored accordingly.

During this period Public Health Networks (PHNs) were monitored in a variety of ways. Financially, they are monitored through a budget approval process whereby we receive their individual, monthly invoice workbook (which the PH Network Coordinator completes and submits) and each Program approves their specific area, so for example, the Immunization Program Project Lead would look at the expenditures in the workbook that are specific to the school-based vaccination clinics and approve/reject.

Programmatically the PHNs complete three annual trainings (vaccine storage and handling, vaccine ordering and clinical vaccine training), submit temperature logs to ensure vaccine is kept viable, and undergo an annual site visit. Additionally, planning meetings as well as annual debrief meetings are held focusing on quality improvement of services provided. PHNs are periodically reviewed financially by the Bureau of Improvement and Integrity.

Starting in the 2018/2019 influenza season, prior to this finding, a formalized review process was initiated for site visits. Additionally, started in the 2018/2019 Influenza season, an annual audit of one month of primary receipts is conducted by the Immunization Program Project Lead. Monitoring procedures are in the process of being formally documented.

Additionally, the Department will ensure future subawards contain all required award information outlined in 2 CFR 200.331.

Anticipated Completion Date:

June 30, 2019

Contact Person:

Colleen Haggerty, Supervisor VIII

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-014***
N.H. Department of Health and Human Services

CFDA # 93.268 Immunization

Grant Year and Awards:
01/01/2013- 06/30/2018 NH23IP000757-05-00
01/01/2013-06/30/2018 NH23IP000757-05-01
01/01/2013-12/31/2017 NH23IP000757-05-03

Finding: Reporting

- ***Annual SF-425 FFR requirement was not submitted timely***
- ***Schedule of Expenditures of Federal Awards (SEFA) reporting was not reviewed and incorrect***

Criteria:

2 CFR 200 Subpart D – Financial Reporting requires recipients must use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form) when reporting to the Federal awarding agency. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of closed formats or on paper.

A standard financial reporting form for grants and cooperative agreements required for the immunization program is as follows:

- *Federal Financial Report (FFR) (SF-425/SF-425A) (OMB No. 0348-0061)).* Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability

2 CFR section 200.327 – Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved government wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

Condition:

The Department of Health and Human Services (the Department) was awarded a grant with an original end date of June 30, 2018, which was the end of a five year cooperative agreement. There was an original

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

requirement to submit the final SF-425 (FFR) for this period, but was not. The Department was granted an extension on the grant due to significant funds remaining unspent, with the new budget period ending June 30, 2019. During our review, we noted controls, policies and procedures over reporting have not been strong enough to encourage the Department to verify the reporting requirements.

Further, there was incorrect reporting of the SEFA as another program with approximately $1.1m in expenditures and a separate cfda# 93.539, was reported with the immunization program. The SEFA reporting is completed and submitted by the same person without any review.

Cause:

The Department needs to increase its awareness of and compliance with the reporting requirements included in the Uniform Guidance.

Effect:

Noncompliance with the Federal reporting regulations

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 strengthen its controls over and ensure its policies and procedures for complying with the reporting procedures included in the Uniform Guidance are sufficient and formalized to meet the federal requirements. Specifically, reporting requirements need to be formally documented and implemented in case of employee turnover in the future.

We also recommend a control be implemented to ensure that the department is reconciling all SF-425 reports and SEFA submissions to the general ledger. We further recommend that the reconciliation is reviewed by someone other than the person performing the reconciliation.

Views of Responsible Officials:

We concur.

We agree that the SF-425 (FFR) report was not filed on time. The area of finance that was responsible for submitting the reports did not have the necessary procedures in place to ensure the reports were filed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Effective July 1, 2018 all federal reports in this area were moved to the central federal reporting area where there are procedures in place to ensure timely filing.

The original SEFA was submitted to DAS with expenses from an incorrect CFDA# included. It was revised.

Anticipated Completion Date:

July 1, 2018

Contact Person:

Richelle Swanson, Finance Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-015***
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:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: The Department of Health and Human Services (HHS or Department) should improve its internal controls over the Matching and Maintenance of Effort (MOE) requirements 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 is 10% of the award. 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.

Condition:

An MOE calculation for both PHEP and HPP was not available for us to audit some six months after the State's year end. However, once received, we noted the State did not meet the maintenance of effort for the PHEP and HPP programs by $51,043 and does not separately account for MOE as required. If MOE was

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

separately accounted for from match, the MOE noncompliance would increase by the match requirement of $493,373. 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 for HPP. HPP relies on hospitals for in-kind match by using the salaries and benefits of their Emergency Preparedness Coordinators. The hospitals aren't monitored throughout the year to ensure they are maintaining their match. Before the year starts, the hospital provide pledge sheets for what they anticipate match to be. However, in many instances, the match doesn't meet the pledged amounts and HHS does not know whether match was met until after year end. 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.

Effect:

Noncompliance with the maintenance of effort requirements included in the PHEP and HPP program notice of award.

Questioned Costs:

$544,416 including match amounts

Whether Sampling Was Statistically Valid:

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

Repeat Finding:

Yes 2016-025

Recommendation:

We recommend the Department monitor the MOE and Match requirements during the year, formalize the review control and adhere to the grant award terms requiring MOE be accounted for separately from any matching funds.

Views of Responsible Officials:

We concur. On the Maintenance of Effort (MOE), the FY 2018 Notice of Award states match dollars cannot be used as part of the MOE. The responsible finance administrator overlooked this change in the

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

award language and therefore the MOE was calculated the same way it has been calculated for the last 10 years.

Moving forward the Finance Director will review the MOE calculations on a quarterly basis in order to be proactive in this requirement of the federal award. Oversight will be provided by the Finance Director to the program finance staff and reviews will take place quarterly to monitor the MOE needs.

On the matching requirement for HPP, historically hospitals have provided sufficient match (even over matching) by using the salary and benefits of their Emergency Preparedness Coordinators. The Department has not had any issue meeting the HPP match requirement. The Finance Officers (FO) are communicated with before the start of grant period and do respond back to the Department with their pledge amounts. The Department will develop a control to ensure the match requirement is likely to be met prior to year-end.

Anticipated Completion Date:

June 30, 2019

Contact Person:

Richelle Swanson, Finance Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-016***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: The Department of Health and Human Services (DHHS) should 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 $279,296 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 for the Cities Readiness Initiative. We determined CRI jurisdictions received over the required 75% of the allocated funds; however, DHHS underspent the earmark by $41,260.

A similar issue was noted in the prior year audit. DHHS disagreed with that finding, quoting Centers for Disease Control (CDC) 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 2016 finding agreed that earmarking was not met. The Department submitted an appeal and has requested reconsideration. CDC has not made a decision on the appeal.

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, 2018

Effect:

Noncompliance with the earmarking requirements included in the PHEP program notice of award.

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, 2016-030

Recommendation:

We recommend the Department work with the federal government and determine whether the requirement for the State 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 CRI amount is spent.

Views of Responsible Officials:

We respectfully do not concur with the finding. CRI funds are distributed to the CRI jurisdictions within the State of New Hampshire in order to meet the objectives of the grant. Based on previous correspondence with CDC officials, the requirement is not simply to spend all the funds awarded. The requirement is to support Medical Countermeasure Dispensing and the Medical Material Management and Distribution (MCMDD) capabilities. Based on documentation of the Final FFR submitted for this grant period, the State of NH spent a total of 85% of our CRI funds awarded, while having had distributed out 86.1% of those CRI funds. Continued CRI funding is based on satisfactorily completing the required activities of the grant. The Department believes it has met the requirements put forth in the notice of grant award and we are unable to find any language in the Notice of Award that speaks to earmarking or CRI earmark.

Anticipated Completion Date:

Not Applicable

Contact Person:

Richelle Swanson, Finance Director

Rejoinder:

We encourage the Department to continue to work with the federal government and determine whether the requirement for the State to spend a specified amount for CRI, is an earmark.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-017***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

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. Monthly reports are generated but not reviewed. 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.

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.

Effect:

Noncompliance with the Equipment Management federal requirements and State policy.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Whether Sampling Was Statistically Valid:

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

Repeat Finding:

Yes, 2016-031

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.

Views of Responsible Officials:

We concur. The Director or designee of the New Hampshire Public Health Laboratories (PHL) will conduct a complete physical inventory of its long term assets at the end of each fiscal year, starting June 1, 2019. This physical inventory will be sent to the New Hampshire Department of Health and Human Services, Logistics unit annually to reconcile the State's inventory records. Additionally, an original and two copies of all major equipment acquired or furnished under the Federal Public Health Emergency Preparedness (PHEP) grant with a unit acquisitions cost of $5,000 or more will be submitted to the Federal Grant Manager during annual grant progress reports.

This plan will be monitored by reviewing the Public Health Emergency Preparedness grant annual progress report to ensure inclusion of the PHEP physical inventory. This review will be conducted by the Department of Public Health Services PHEP Operations Planning Section. The Director of the PHL or designee will maintain records of the submission of the annual complete physical inventory with the laboratories quality assurance (QA) records. The QA records will be available for review upon request.

Anticipated Completion Date:

June 1, 2019

Contact Person:

Daniel Tullo, Microbiologist V

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S Department of Health and Human Services ***2018-018***
NH Department of Health and Human Services

CFDA #93.889 National Bioterrorism Hospital Emergency Preparedness

Grant Year and Award:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: The Department should improve internal controls over and compliance with reporting of the SF-425 annual report and Period of Performance Requirements.

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.

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309).

Condition:

Based on our review of the required FFR (SF 425) report for the HPP program, we noted the amounts on line: 10 (e) federal share of expenditures and (g) total federal share included $14,497 of costs incurred in fiscal 2019, outside of the period of performance. This noncompliance with the period of performance regulations was not identified during the review of the report.

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 and period of performance requirements.

Questioned Cost:

$14,497

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, 2018

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 only expenditures within the period are included in the federal reports.

Views of Responsible Officials:

We concur with this finding. An invoice was included for costs that belong to fiscal 2019. Better care will be taken when reviewing obligations and research will be conducted if necessary to ensure that the obligations included are relevant to the period in question. A revised SF-425 report will be filed.

Anticipated Completion Date:

June 30, 2019

Contact Person:

Richelle Swanson, Department of Public Health Services, Finance Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-019***
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:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: Lack of Controls over Schedule of Expenditures of Federal Awards (SEFA) Reporting and Financial Reporting and Reconciliation

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 auditees financial statements, which must include the total Federal awards expended as determined in accordance with section 200.502, which states the determination of when a federal award is expended must be based on and include CFDA numbers provided in Federal awards/subawards and associated expenditures.

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. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During our testwork over the reconciliation of the cost allocation plan, which tracks total and federal program expenditures at the transactional level, to the Schedule of Expenditures of Federal Awards (SEFA), and the Internal Federal Ledgers, we noted the following:

1 The amounts reported in the SEFA are not on a cash basis as required, but in some instances, exclude expenditures paid in FY 2018 but relate to a prior period and include expenditures paid in FY 2019, but incurred prior to June 30, 2018.

2 Further, the SEFA is not reconciled to the cost allocation plan, but is reconciled to the federal ledgers, but not timely. The federal ledgers include adjustments to track costs by grant year.

3 The SEFA is prepared and reported by the same individual without review by someone other than the preparer and originally included a program reported under a separate cfda#.

Specifically for the HPP program, the SEFA for fiscal year 2018 was overstated by approximately $85,000. This is due to $200,195 costs charged to the HPP program in fiscal 2018 in error, but included in the SEFA, offset by $115,195 of expenditures paid in FY 2018, applied to a prior grant, but not included in the SEFA.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

In relation to the Department of Information Technology (DoIT) costs of $200,195 referred to above and originally charged to HPP, the Department of Health and Human services (Department) has a process to complete activity number forms to adjust job numbers for programmatic changes; however, in this instance the form wasn't completed resulting in an overdraw of costs to the federal government. These overdrawn cost were credited back to the federal government by the Department in fiscal 2019. However, the Department's procedures developed to ensure costs are charged to the correct federal program through accurate job number reporting was not followed.

For the reconciliation of PHEP program activity specifically, the PHEP column report from Cost Allocation when reconciled to the ledgers has an unexplained $48,316 variance. The SEFA excludes approximately $550,000 of expenses paid in fiscal year 2018, but reported against a fiscal year 2017 award. SEFA State reporting is on a cash basis, and the $550,000 of expenditures paid during fiscal 2018, should have been reported in the SEFA.

Cause:

The cause of the condition found is primarily due to the lack of controls over the SEFA reporting process and timely reconciliations between the sefa, cost allocation, and federal ledgers.

Effect:

The potential effect of the conditions found could result in improper reporting of the SEFA and incorrect charging of costs to 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 policies and procedures of timely reconciliation of the cost allocation plan, federal ledgers and schedule of expenditures over federal awards.

We recommend the Department strengthen its controls over the utilization and review over activity number forms and approvals over prior quarter adjustments to ensure correct charging of job numbers and costs occurs.

We further recommend someone besides the preparer of the SEFA complete a review prior to submission to the Department of Administrative Services.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Views of Responsible Officials:

The Department concurs in part. The Department will review its existing policies and procedures over the entire reconciliation process. The Department feels that the controls in place over activity number forms and the approval of prior quarter adjustments is adequate. While we believe the controls in place over the activity forms is sufficient, we will provide additional training to the financial managers to fully understand this process. In addition, we will be reviewing the current prior quarter adjustment process and looking to strengthen it. Starting with SFY 19, the Department will have someone other than the preparer of the SEFA review and sign off prior to submission.

Anticipated Completion Date:

July 1, 2019

Contact Person:

Mary Calise, Deputy Chief Financial Officer

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-020***
N.H. Department of Health and Human Services

CFDA #93.889 National Bioterrorism Hospital Emergency Preparedness

Grant Year and Award:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: Direct payroll costs not approved appropriately

Criteria:

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 semi-annual attestations to for employee's who are paid 100% from a particular Program/Grant. The program supervisor signs the certification attesting that the employee (s)he supervises works solely on that Program/Grant for the 6 month ending 12/31/17 or 6/30/18. As part of our test work over the direct payroll costs for HPP, we selected a sample of 3 timesheets, comprised of one (1) employee among three (3) pay periods and noted no exceptions. As part of our test work over the direct payroll costs for HPP, we also traced each employee not selected for testwork to the attestation to ensure that the program supervisor did not attest to the time spent for employees who did not work 100% on a program/grant.

- One (1) employee whose time was charged at the beginning of the fiscal year to an allocated job number was improperly included in the 12/31/2017 attestation as working 100% on HPP. This attestation was signed-off on by the program supervisor.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Cause:

The cause of the condition found is primarily due to the lack of training 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.

View of Responsible Officials:

The Department concurs.

DHHS Public Health will perform training to program regarding the attestation process.

Anticipated Completion Date:

February 28, 2019

Contact Person:

Patricia Tilley, Executive Project Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-021***
N.H. Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: Labor Grade Not Properly Updated

Criteria:

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 payroll department did not appropriately update the labor grade for one employee from labor grade 27, Step 8 $37.39 per hour to labor grade 33, Step 3, $39.40 per hour as a result of the employee's temporary promotion. This resulted in the employee being underpaid for nine weeks. The employee should have received a higher step increasing the hourly rate for this limited time; however, they continued to receive their regular rate of pay programmed in the payroll system.

Cause:

The cause was the result of missed paperwork informing payroll of the need to adjust the employees pay for this limited time as a result of the temporary promotion.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

View of Responsible Officials:

We concur in part. The payroll department does process temporary promotions. There are times when human resources is not notified or notified after the fact in which case a retro payment is made to the employee.

We have put a process in place to ensure all work is logged and provided to the appropriate payroll officer for processing. This process is currently being documented and staff trained on the process.

Anticipated Completion Date:

July 1, 2019

Contact Person:

Thomas Bourgault, Assistant Director Human Services

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-022***
NH Department of Education

CFDA #93.243 Substance Abuse and Mental Health Services_Projects of Regional and National Significance

Grant Year and Awards:
9/30/16-9/29/17 5U79SM061512-04
9/30/16- 9/29/18 5U79SM061512-04R
9/30/15-9/29/17 5H79SM061875-02
9/30/17-9/30/18 5H79SM061875-03

Finding: Allocated payroll charges were not in accordance with Federal requirements. Level of Effort Requirements therefore not met.

Criteria:

States must ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The records must also support the distribution of an employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award. While budget estimates may be used for interim accounting purposes in certain circumstances, they do not qualify as the sole support for charges to Federal awards. Uniform Guidance 2 C.F.R. §200.430

Level of effort includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services. The requirements for level of effort are contained in the terms and conditions of the grant award.

Condition:

Allocated Payroll

The New Hampshire Department of Education (NHDOE) continued to charge personnel costs to the Federal awards based on budget estimates alone without a process and controls that include an after-the-fact determination to update budgeted costs spent working on any individual federal program to actual costs. NHDOE did not have documented procedures to ensure actual costs are properly allocated.

Level of Effort

Per the grant award for the Safe Schools project period 9/30/2013- 9/29/2017, there is a requirement for level of effort of project director 50% and project coordinator 100%, specifically for budget period 9/30/16 – 9/29/17. We could not test to ensure the level of effort was met due to the payroll allocation methods utilized by NHDOE at that time. Specifically, based on the lack of time and effort reporting, we could not determine the project director actually met the LOE requirement of 50%. Further, we were not provided

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

with a certification in place at the period end date of the award that validated the project coordinator charged 100% of their time to Safe Schools award.

Cause:

The NHDOE's lack of fully implementing controls and formal policies and procedures over allocation of payroll costs that are in accordance with federal regulations.

Effect:

Payroll costs charged to the federal award that do not meet the Federal personnel requirements. Noncompliance with level of effort requirements.

Questioned Costs:

$241,653 of Allocated Payroll charged to the grant

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 NHDOE document its policies and procedures to ensure all personnel expenditures are adequately supported. Procedures should include a timekeeping system whereby actual time allocations are tracked and approved and periodically compared to estimated time and adjusted to actual if the NHDOE continues to charge time based on budgets. Once the payroll system is implemented, NHDOE should implement controls and monitor time charged to ensure level of effort requirements are met.

Views of Responsible Officials:

The NHDOE concurs with the finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, a comprehensive time and effort reporting and tracking system was established in the summer of 2018. The current system relies on employees completing a tracking spreadsheet or semi-annual certification document created and updated by the Office and Business Management (OBM) which is then approved by the employees' direct supervisor. The signed spreadsheets are then reviewed and retained by the Bureau of Federal Compliance (BFC). Written procedures provide employees and supervisors with guidance on how to properly complete their time and effort reporting.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The development of written procedures to document the reconciliation of an employee's actual time worked to program budgets still needs to be developed. It is anticipated this procedure will rely on the existing quarterly fiscal meetings between the Director of the Division of Learner Support and OBM.

As resources allow, NHDOE will pursue integrating the time and effort reporting function directly into its electronic payroll system.

Anticipated Completion Date:

July 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S Department of Health and Human Services ***2018-023***
NH Department of Education

CFDA #93.243 Substance Abuse and Mental Health Services_Projects of Regional and National Significance

Grant Year and Awards:
9/30/16-9/29/17 5U79SM061512-04
9/30/16- 9/29/18 5U79SM061512-04R
9/30/15-9/29/17 5H79SM061875-02
9/30/17-9/30/18 5H79SM061875-03

Finding: Certain Components of the Federal Subrecipient Monitoring Regulations Were Not Met

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).

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)).

Monitor 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:

- ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals, and;

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

- 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.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

Condition:

The New Hampshire Department of Education (NHDOE) for fiscal year 2018, did not have formal policies and procedures over subrecipient monitoring. Controls over evaluating the subrecipient's risk of non-compliance did not exist, and a formal evaluation of 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 to be performed was not completed.

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.

NHDOE monitors whether subrecipients are meeting goals and program objectives through performance reporting. The subrecipients are required to track outcome data including Government Performance Measures as indicated in the approved workplan as well as other performance indicators, summaries of performance, the budget and other qualitative and quantitative data that demonstrates progress towards goals. However, NHDOE does not monitor to ensure whether the subaward is used for authorized purposes, as it relies primarily on the budget review phase of the subaward application process to ensure that subrecipients do not make unallowable expenditures. NHDOE staff verified that, aside from reviewing any proposed budget amendments during the grant period, NHDOE does not have an established post-award process to identify potential unallowable subrecipient expenditures.

Further, NHDOE did not clearly identify to its subrecipients all of the required award communications at the time of the award described in 2 CFR section 200.331(a)(1).

Cause:

The Department's lack of controls over and compliance with certain components of the subrecipient monitoring requirements included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring federal regulations.

Questioned Costs:

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 continue to develop its policies and procedures for complying with the subrecipient monitoring procedures included in the Uniform Guidance and ensure they are sufficient to meet federal requirements. The Department then needs to design and implement controls 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; informing subrecipients of required information at the time of the award; performing during the award financial and programmatic monitoring including reviewing expenditures for allowability and performing site visits, in accordance with the Department's procedures, and issuing management decisions on findings timely, if required.

Views of Responsible Officials:

The NHDOE concurs with the finding.

Fiscal Monitoring

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, the Bureau of Federal Compliance (BFC) has developed and implemented a fiscal subrecipient monitoring program in accordance with the Uniform Guidance. The fiscal monitoring program was implemented in the fall of 2019 with on-site monitoring of LEAs ongoing. The LEAs were selected for monitoring based on a formal risk assessment completed in the spring of 2018 and includes entities that receive SAMHS grant funds. The BFC's monitoring goal for FY19 is to complete monitoring of 95 school districts.

Concurrent with undertaking subrecipient monitoring, the BFC continues to finalize written monitoring protocols based on experiences and lessons learned during this first cycle of monitoring. In addition to subrecipient monitoring, the BFC is developing technical assistance resources and presentations to be provided to subrecipients in the early spring of 2019.

Program Level Monitoring

With respect to the development of programmatic subrecipient monitoring, the NHDOE Division of Learner Support – Bureau of Student Wellness will be developing monitoring processes by June 2019. Implementation of the sub recipient programmatic monitoring will begin on July 1, 2019.

The Division of Learner Support – Bureau of Student Wellness will continue to develop additional procedures related to subrecipient monitoring of all federal grant programs as the subrecipients are

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

monitored. Such procedures may include on-site detailed monitoring protocols, report templates, and procedures on how to affect corrective actions, etc.

The results of the monitoring will also be used to tailor technical assistance efforts to be provided by the NHDOE.

Anticipated Completion Date:

July 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-024***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.367 Supporting Effective Instruction State Grants (Title II)

Grant Year and Awards:
07/01/2017- 9/30/2018 S010A170029
07/01/2017-9/30/2018 S367A170028

Finding: Internal controls were not functioning and compliance over subrecipient monitoring was not met.

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.

Further, 2 CFR 200.521 states the Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Condition:

The New Hampshire Department of Education (NHDOE) for fiscal year 2018, did not have formal policies and procedures over subrecipient monitoring. Controls over evaluating the subrecipient's risk of non-compliance did not exist, and a formal evaluation of 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 to be performed was not completed.

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. The NHDOE did not complete any during the award monitoring for fiscal 2018. Further, during the course of our testwork NHDOE confirmed that it relies primarily on the budget review phase of the subaward application process to ensure that subrecipients do not make unallowable expenditures. NHDOE staff verified that, aside from reviewing any proposed budget amendments during the grant period, NHDOE does not have an established post-award process to identify potential unallowable subrecipient expenditures.

Lastly, for four subrecipients out of a sample of 12 tested, we noted the NHDOE did not issue a management decision on the audit findings that relate to federal awards it makes to subrecipients within six months of acceptance of the audit report by FAC.

Cause:

The Department's lack of controls over and compliance with most of the subrecipient monitoring requirements included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring 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:

Yes 2017-043

Recommendation:

The Department should continue to develop its policies and procedures for complying with the subrecipient monitoring procedures included in the Uniform Guidance and ensure they are sufficient to

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

meet federal requirements. The Department then needs to design and implement controls 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; performing during the award financial and programmatic monitoring including reviewing expenditures for allowability and performing site visits, in accordance with the Department's procedures, and issuing management decisions on findings timely.

Views of Responsible Officials:

The NHDOE concurs with this finding.

Fiscal Monitoring

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, the Bureau of Federal Compliance (BFC) has developed and implemented a fiscal subrecipient monitoring program in accordance with the Uniform Guidance. The fiscal monitoring program was implemented in the Fall of 2019 with on-site monitoring of LEAs ongoing. The LEAs were selected for monitoring based on a formal risk assessment completed in the Spring of 2018. The BFC's monitoring goal for FY19 is to complete monitoring of 95 school districts.

Concurrent with undertaking subrecipient monitoring, the BFC continues to finalize written monitoring protocols based on experiences and lessons learned during this first cycle of monitoring. In addition to subrecipient monitoring, the BFC is developing technical assistance resources and presentations to be provided to subrecipients in the early Spring of 2019.

Program Level Monitoring

With respect to the development of programmatic subrecipient monitoring, the NHDOE Division of Learner Support has developed monitoring programs for both the Title I and Title II programs. Implementation of the subrecipient programmatic monitoring will begin on March of 2019. Further, both documents have been submitted to the U.S. Department of Education, Office of State Support (OSS) for review and comment.

The Division of Learner Support will continue to develop additional procedures related to subrecipient monitoring of ESSA programs as the subrecipients are monitored. Such procedures may include on-site detailed monitoring protocols, report templates, and procedures on how to affect corrective actions, etc. The results of the monitoring will also be used to tailor technical assistance efforts to be provided by the NHDOE.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Anticipated Completion Date:

July 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-025***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.367 Supporting Effective Instruction State Grants (Title II)

Grant Year and Awards:
07/01/2017- 9/30/2018 S010A170029
07/01/2017-9/30/2018 S367A170028

Finding: Program Assurances Not Approved

Criteria:

States must expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. States must have written procedures for determining cost allowability and must have effective control over all funds. Uniform Guidance 2 C.F.R. 200.302.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

Condition:

Local Educational Agencies (LEAs)/school districts submit an application for Title I and Title II program funds to the NH DOE. The application and budget are submitted through an online system. Among the section of the application called, the *Program Assurances*, the requirements imposed on the school districts are outlined and must be signed by the school superintendent prior to the State of New Hampshire Department of Education (NHDOE) releasing funds. However, for our sampling over this control, we noted two assurances where funds were disbursed without superintendent's assurance being obtained. Further due to a lack of 'during the award' monitoring performed in fiscal 2018, the NHDOE did not have a system in place to review LEA expenditures for allowability to determine possible misuse of funds.

Cause:

Lack of formal internal controls that provide a check that the *Program Assurances* were executed prior to reimbursements being processed.

Lack of review of expenditure documentation is due to no subrecipient monitoring procedures being performed for fiscal 2018.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Effect:

Federal funds may reimburse unallowed expenditures or the LEA may not be aware of or meet all of the requirements imposed by the NHDOE.

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 NHDOE ensure controls over LEA assurances are in place prior to expending funds are at a level precise enough to determine noncompliance.

Further, we recommend through subrecipient monitoring, the NHDOE review subrecipient supporting documentation for claimed expenditures.

Views of Responsible Officials:

The NHDOE concurs with this finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, both the Title I and Title II programs are currently developing both written internal controls and subrecipient monitoring programs. The program monitoring protocols associated with these two programs will include written procedures to ensure *Program Assurances* are in place prior to reimbursing funds to subrecipients.

In addition, each program will develop a program allowability guidance document to be used as an internal tool when reviewing and approving subrecipient applications (post-award). This guidance document will also be provided to subrecipients to provide clarity on expected allowability determinations by the NHDOE.

Both the Title I and Title II programs are part of the current fiscal Federal compliance monitoring program which has been in place since September of 2018. In addition to general fiscal compliance review, during the fiscal Federal compliance monitoring work completed by the Bureau of Federal Compliance, selected grant activities are reviewed for program allowability. Any non-allowable expenditures are brought to the attention of the appropriate program administrator to assist in resolving incidents of non-compliance.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Anticipated Completion Date:

July 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***NH Department of Education***	***2018-026***
CFDA #84.010 Title I Grants to Local Educational Agencies	
Grant Year and Award: ***07/01/2017- 9/30/2018 S010A170029***	

Finding: Assessment System Security Special Test Not Complied With

Criteria:

States, in consultation with Local education agencies (LEAs), are required to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards. Within their assessment system, SEAs must have policies and procedures to maintain test security and ensure that LEAs implement those policies and procedures (Section 1111(b)(3)(C)(iii) of the ESEA (20 USC 6311(b)(3)(C)(iii))).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

Condition:

The State of New Hampshire Department of Education (NHDOE) has policies in place to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards; however, the NHDOE does not have policies in place to ensure that the LEAs implement those test security measures. During our audit, we reviewed and noted the following:

- The NHDOE offers a training to LEA principal and school district leaders through an online webinar, however, attendance is not tracked to determine the risk of noncompliance as a result of LEAs not attending recent training sessions.
- There were no monitoring on-site visits, or follow-ups, to ensure policies were being properly executed by the LEAs.
- Assurance forms were provided to LEAs to sign, confirming they conformed to the NHDOE's test security measures, however, these forms were not reviewed or retained by the NHDOE.

Cause:

This appears to be the result of a lack of formal procedures to monitor, review and track LEA compliance with the NHDOE's assessment system security policies and procedures.

Effect:

Unable to ensure that LEAs implemented the NHDOE's policies and procedures over test security.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 2017-042

Recommendation:

We recommend the NHDOE enhance its policies and procedures to include proper controls over tracking, review and follow-up, and retention of each LEAs compliance with the NHDOE's policies over test security.

Views of Responsible Officials:

The NHDOE concurs with this finding.

For the FY19 assessment testing window (which begins in the Spring of 2019) the NHDOE has developed and implemented a significantly improved Assessment System Security program. Following a full cycle of implementation, which will be completed by the end of June 2019, the NHDOE will reevaluate the test security controls using feedback from both NHDOE staff and involved subrecipients, make needed improvements, and finalize the Assessment System Security protocols to be implemented for FY20 (2019-2020 school year).

Anticipated Completion Date:

August 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-027***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.367 Supporting Effective Instruction State Grants (Title II)

Grant Year and Awards:
07/01/2017- 9/30/2018 S010A170029
07/01/2017-9/30/2018 S367A170028

Finding: Lack of controls and compliance in ensuring the requirements of Level of Effort-Maintenance of Effort were met

Criteria:

An LEA may receive funds under an applicable program only if the SEA finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from State and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived by ED.

If an LEA fails to maintain fiscal effort, an SEA must reduce an LEA's allocation under a covered program if the LEA also failed to maintain effort in one or more of the five immediately preceding fiscal years in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA) (Section 8521 of ESEA (20 USC 7901); 34 CFR section 299.5).

Condition:

We noted the NHDOE does not have formal documentation regarding how maintenance of effort compliance is completed.

A spreadsheet is maintained to determine whether the above Maintenance of Effort (MOE) requirement is met; however, it does not appear to have been reviewed. Further, we determined one local education agency did not meet the MOE requirements by approximately $127,000, which should have resulted in a reduction of $967 to be reallocated. The LEA did not apply for a waiver nor were their allocations adjusted or a reallocation of funds completed.

Cause:

The Department's lack of controls over and compliance with Maintenance of Effort requirements included in the Uniform Guidance.

Effect:

Noncompliance with the Maintenance of Effort federal regulations

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 spreadsheet created to determine compliance with the MOE requirement be reviewed and any noncompliance with MOE requirements be reduced and funds reallocated unless a waiver is approved.

Views of Responsible Officials:

The NHDOE concurs with this finding.

The NHDOE will develop and implement a procedure to clearly document how the Maintenance of Effort (MOE) is calculated, define when a subrecipient has not met its MOE obligations and outline what options are available for subrecipients who failed to meet their MOE (i.e. reduction in allocations, waiver request, etc.). The procedure will also contain information regarding how the MOE calculation and approval process flows through the Division of Learner support and by who and how the final determination of corrective actions are made. Lastly, the procedure will include a description of annual review/update requirements, Bureau of Federal Compliance review, and document retention needs.

Anticipated Completion Date:

July 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-028***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.367 Supporting Effective Instruction State Grants (Title II)
CFDA #84.027 Special Education – Grants to States (IDEA, Part B)
CFDA #84.173 Special Education- Preschool Grants (IDEA Preschool)

Grant Year and Award: Various

Finding: Allocated payroll charges were not in accordance with Federal requirements. Semi-annual certifications for those employees charging 100% of their time only existed for part of the fiscal year.

Criteria:

States must ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The records must also support the distribution of an employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award. While budget estimates may be used for interim accounting purposes in certain circumstances, they do not qualify as the sole support for charges to Federal awards. Uniform Guidance 2 C.F.R. §200.430

Condition:

The NHDOE continued to charge personnel costs to the Federal awards based on budget estimates alone without a process and controls that include an after-the-fact determination to update budgeted costs spent on working on any individual federal program to actual costs. NHDOE did not have documented procedures to ensure actual costs are allowable and properly allocated. Further, certifications received for those charging 100% of their time to the IDEA federal awards were only in place for six months of the year.

Cause:

The NHDOE's lack of fully implementing controls and formal policies and procedures over allocation of payroll costs that are in accordance with federal regulations.

Effect:

Payroll costs charged to the federal awards that do not meet the Federal personnel requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Questioned Costs:

Title I Grants to Local Education Agencies CFDA# 84.010 – Allocated costs of $423,131

Supporting Effective Instruction State Grants CFDA# 84.367 – Allocated costs of $77,511

Special Education Grants to States CFDA# 84.027, and Preschool Grants CFDA#84.173 – Allocated costs of $246,862

Whether Sampling Was Statistically Valid:

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

Recommendation:

We recommend the NHDOE document its policies and procedures to ensure all personnel expenditures are adequately supported. Procedures should include a timekeeping system whereby actual time allocations are tracked and approved and periodically compared to estimated time and adjusted to actual if the NHDOE continues to charge time based on budgets. Further we recommend certifications for those employees who charge 100% of their time to a specific award be completed timely and certify for the entire fiscal year.

Views of Responsible Officials:

The NHDOE concurs with this finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, a comprehensive time and effort reporting and tracking system was established in the Summer of 2018 for the four noted programs. The current system relies on employees completing a tracking spreadsheet or semi-annual certification document created and updated by the Office and Business Management (OBM) which is then approved by the employees' direct supervisor. The signed spreadsheets are then reviewed and retained by the Bureau of Federal Compliance (BFC). Written procedures provide employees and supervisors with guidance on how to properly complete their time and effort reporting.

The development of written procedures to document the reconciliation of an employee's actual time worked to program budgets still needs to be developed. It is anticipated this procedure will rely on the existing quarterly fiscal meetings between the Director of the Division of Learner Support and OBM.

As resources allow, NHDOE will pursue integrating the time and effort reporting function directly into its electronic payroll system.

Anticipated Completion Date:

July 1, 2019

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-029***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.367 Supporting Effective Instruction State Grants (Title II)

Grant Year and Award:
07/01/2017- 9/30/2018 S010A170029
07/01/2017-9/30/2018 S367A170028

Finding: Lack of controls and compliance over ensuring participation of private school children federal requirements were met

Criteria:

The State will ensure that LEAs use Federal funds to provide benefits to eligible children enrolled in private schools and to ensure that teachers and families of participating private school children participate on an equitable basis. ESEA §1120, §9501; 34 C.F.R. 200.62-67; 34 C.F.R. 299.6; 34 C.F.R. 299.9

Condition:

The NHDOE ensures the Local Educational Agencies (LEAs) conduct timely consultation with private school officials and provides student counts for eligible services set-aside generated by each individual private school. Further, the NHDOE ensures the LEAs in their applications include attestations that consultations with private school officials to determine the kind of educational services to be provided to eligible private school children has occurred. However, we noted NHDOE did not validate student counts, and ensure the LEA's planned services were provided and the required amount was used for private school children.

Cause:

Due to a lack of subrecipient monitoring, the NHDOE did not ensure the planned services were provided to eligible private school children and the required amount was used for private school children.

Effect:

Noncompliance with the Participation of Private School Children special test federal regulations.

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, 2018

Repeat Finding:

No

Recommendation:

The NHDOE should continue to develop its policies and procedures for complying with the subrecipient monitoring procedures that includes procedures over ensuring planned services provided to eligible private school children were provided and at the required amount. The NHDOE then needs to design and implement controls to ensure any noncompliance with the regulations would be detected or prevented.

Views of Responsible Officials:

The NHDOE concurs with this finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, both the Title I and Title II programs are currently developing new subrecipient monitoring programs. The program monitoring protocols associated with these two programs will include procedures to ensure planned services to eligible private school children were provided and at the required amount. In addition, the new subrecipient monitoring program will include controls to ensure any noncompliance with the regulations would be detected or prevented. Adequate internal controls will be established to monitor this regulatory requirement both pre- and post-award.

Anticipated Completion Date:

July 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-030***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies

Grant Year and Award:
07/01/2017- 9/30/2018 S010A170029

Finding: Lack of controls and policies and procedures over ensuring LEAs are maintaining documentation to support removal of students from the regulatory adjusted cohort

Criteria:

An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate. For reporting during the 2017-2018 school year, graduation rates would reflect data from the 2016-2017 school year. Accordingly, the requirements for calculating and reporting graduation rates under the ESEA, as amended by the No Child Left Behind Act of 2001 (NCLB), would continue to apply. Under these requirements, graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort graduation rate. Only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating the 4-year adjusted cohort graduation rate. The term "regular high school diploma" means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma and does not include a General Educational Development (GED) credential, certificate of attendance, or an alternative award. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort (Title I, Sections 1111(b)(2) and (h) of the ESEA, as amended by NCLB (20 USC 6311(b)(2) and (h)); 34 CFR section 200.19(b)).

Condition:

The NHDOE does not have policies and procedures in place that ensure that LEAs are maintaining appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort.

Cause:

Due to a lack of subrecipient monitoring, the NHDOE did not ensure the provisions of the Annual Report Card, High School Graduation Rate special tests were fully met.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Effect:

Noncompliance with the Annual Report Card, High School Graduation Rate special test federal regulations.

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 NHDOE should continue to develop its policies and procedures for complying with the subrecipient monitoring procedures that include procedures over ensuring LEAs are maintaining documentation supporting students removed from the regulatory adjusted cohort. The NHDOE then needs to design and implement controls to ensure any noncompliance with the regulations would be detected or prevented.

Views of Responsible Officials:

The NHDOE concurs with this finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, the Title I program is currently developing new subrecipient monitoring programs. The program monitoring protocols associated with the Title I programs will include pre-award notification to the subrecipients of the requirement to maintain documentation supporting students removed from the regulatory adjusted cohort (either within the Program Assurances or by providing a technical assistance memo). In order to ensure that any noncompliance by subrecipients with the regulations would be detected, the subrecipient post-award monitoring program will include a protocol to request appropriate evidence in support of this regulation be provided during monitoring.

Anticipated Completion Date:

July 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education and U.S. Department of Agriculture ***2018-031***
NH Department of Education and NH Department of Agriculture

CFDA #84.027 Special Education- Grants to States (IDEA, Part B)
CFDA #84.173 Special Education- Preschool Grants
CFDA# 10.553 School Breakfast Program (SBP)
CFDA# 10.555 National School Lunch Program (NSLP)
CFDA# 10.556 Special Milk Program for Children (SMP)
CFDA# 10.559 Summer Food Service Program for Children (SFSP)

Grant Year and Award: Various

Finding: Compliance over a component of subrecipient monitoring was not met

Criteria:

2 CFR 200.521 states the Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC).

Condition:

For four subrecipients out of a sample of 12 tested, we noted the NHDOE did not issue a management decision on the audit findings that relate to federal awards it makes to subrecipients within six months of acceptance of the audit report by FAC.

Cause:

The NHDOE did not issue a management decision timely.

Effect:

Noncompliance with the Subrecipient Monitoring federal regulation

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, 2018

Repeat Finding:

No

Recommendation:

The Department should continue to develop its policies and procedures for complying with the subrecipient monitoring procedures included in the Uniform Guidance and ensure they are sufficient to meet federal requirements.

Procedures implemented should include issuing management decisions on findings within the required six months of acceptance of the audit report of the FAC.

Views of Responsible Officials:

The NHDOE concurs with this finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE over the past year, the Bureau of Federal Compliance has developed and implemented several draft procedures surrounding the FY18 subrecipient single-audits which are being reviewed in FY19.

The following procedures have been put in place and are actively being used,

- Subrecipient Single-Audit Verification (2 CFR 200.331(f))

  Supporting documents include,

  - FY18 Single Audit Certification letter,
  - Schedule of Federal Programs worksheet,
  - Status of FY18 Subrecipient Certification Letters and Single-Audits,
  - Single-Audit Review Process for Fiscal Year 2019,
  - Single-audit review tool.

- Resolution of Single-Audit Findings Related to Federal Awards (2 CFR 200.331(d))

  Supporting documents include,

  - Example Management Decision Letter (MDL) for Single-Audit Findings.

The NHDOE needs to finalize both policies/procedures for enforcement actions against non-compliant subrecipients (2 CFR 200.331(h) and 2 CFR 200.338) and a subrecipient appeal process in accordance with 2 CFR 200.521(a).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Anticipated Completion Date:

July 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-032***
NH Department of Education

CFDA #84.027 Special Education- Grants to States (IDEA, Part B)
CFDA #84.173 Special Education- Preschool Grants

Grant Year and Award:
07/01/2017-9/30/2018 H027A170103

Finding: Internal controls were not functioning and compliance over ensuring contractor was not suspended or debarred for sole source contracts

Criteria:

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

Condition:

During our testwork, we noted for a sole source contract, it did not contain a signed Suspension and Debarment Certification, meaning all reviewing departments that signed off on the contract failed to notice the missing signed certification. Audit testing revealed that the contractor was not suspended or debarred.

Cause:

Control weakness over ensuring Suspension & Debarment Certification was in place prior to authorizing the sole source contract.

Effect:

Ineffective control over Suspension and Debarment requirements that led to noncompliance

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, 2018

Repeat Finding:

No

Recommendation:

The NHDOE should strengthen controls over ensuring a signed vendor Suspension & Debarment Certification is in place prior to authorizing a contract.

Views of Responsible Officials:

The NHDOE concurs with this finding.
As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, the Office of Business Management (OBM) has updated its contracting procedure to improve controls over ensuring a signed vendor Suspension and Debarment certification is in place prior to a contract being awarded.

Anticipated Completion Date:

The improved internal controls were fully implemented by the OBM on January 1, 2019.

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-033***
NH Department of Education

CFDA #84.027 Special Education- Grants to States (IDEA, Part B)
CFDA #84.173 Special Education- Preschool Grants

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042

Finding: Ineffective controls over and noncompliance with Period of Performance Requirement

Criteria:

The State may only charge a grant program for allowable costs incurred during the period of performance and any pre-award costs that have been authorized by the Federal government. Unless the Federal government authorizes an extension, the State must liquidate all obligations incurred under the award not later than 90 calendar days after the end date of the performance period. If the State fails to obligate all funds by the end of the award year, it can "carryover" the remaining funds for a period of one additional fiscal year. Any funds not obligated by the end of the carryover period must be returned by the State to the Federal government as an unobligated balance. Uniform Guidance 2 C.F.R. §200.309; 2 C.F.R. §200.343(b) 34 C.F.R. §76.707; 34 C.F.R. §76.709

Condition:

The New Hampshire Department of Education (NHDOE) doesn't have documented policies and procedures in place over monitoring the local educational agencies (LEAs) obligations and other expenditures to ensure it meets the period of performance requirements in federal regulations. Specifically, NHDOE only tracks spending through the grant year end carryover date, but the spreadsheet used to do so isn't maintained past this period. NHDOE charged costs to the 623 CAN, or 2016 grant award, with a period of performance end date of 9/30/17, during the 90 day period that were either not incurred or not obligated prior to 9/30/17. Based on the sample tested, we identified $85,500 of costs charged back to the FFY 2016 grant but incurred after the grant period end date of 9/30/17.

Cause:

There are a lack of written policies and procedures resulting in a lack of understanding of the period of performance requirements associated with the grant.

Effect:

Noncompliance with period of performance federal regulations over obligation of funds

Questioned Costs:

$85,500

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Whether Sampling Was Statistically Valid:

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

Repeat Finding:

No

Recommendation:

NHDOE should develop and document standard policies and procedures including controls for ensuring funds are obligated within the period of performance and for the management of carryover funds to ensure that all carryover balances are appropriately charged to the proper grant year. Further, we recommend NHDOE review the charges to the 2016 grant award during October 1 through December 31, 2017 to determine the extent of those costs charged incorrectly.

Views of Responsible Officials:

The NHDOE concurs with this finding.

The NHDOE will develop and document standard policies and procedures including controls for ensuring funds are obligated within the period of performance and for the management of carryover funds to ensure that all carryover balances are appropriately charged to the proper grant year.

Anticipated Completion Date:

July 1, 2019

Contact Person:
Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Agriculture ***2018-034***
NH Department of Administrative Services

CFDA# 10.553 School Breakfast Program (SBP)
CFDA# 10.555 National School Lunch Program (NSLP)
CFDA# 10.556 Special Milk Program for Children (SMP)
CFDA# 10.559 Summer Food Service Program for Children (SFSP)

Grant Year and Award:
10/01/2016-9/30/17 Various
10/01/2017-9/30/18 Various

Finding: Internal controls were not functioning and compliance over accountability for USDA-donated foods was not met.

Criteria:

a. *Maintenance of Records*
Distributing and sub-distributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods including end products processed from donated foods. Failure to maintain records required by 7 CFR section 250.16 shall be considered *prima facie* evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind (7 CFR sections 250.16(a)(6) and 250.15(c)).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

Condition:

The client's maintenance of records was tested to ensure inventory was traceable in the system from receipt of the donated food to the distribution of the food to recipient agencies. We also tested the staging and storage of the food to ensure it complied with USDA standards.

For the receiving reports, we noted the following:

- In 10 out of 14 instances sampled, the unloading record completed by warehouse personnel at the time USDA shipments are received, was incomplete as it was missing some or all of the following critical information: sales order, cases inspected, seal information, condition of product, product description, indication of storage, and record of date and time of unloading. In 2 cases, the unloading record contained mathematical errors.

- In 5 out of 14 instances sampled, there is no signature of the warehouse receiver in either the unloading record or bill of lading to indicate what was listed on the receiving report was received. For the distribution reports, we noted the following:

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

- The warehouse employees were unable to locate the notification of shipment sent to the recipient agencies. We were unable to inspect any of these notifications for our selections.

- The driver of the shipment to the recipient agencies did not sign the pick slip in 11 out of 40 cases sampled thereby there was no assurance the shipment was validated by the driver.

For storage of donated foods, we noted the following:

- In order to monitor the staging and storage of donated foods, the warehouse has 24/7 temperature monitoring technology which alerts general services whenever the temperature changes dramatically. The warehouse personnel also have a manual control process in which they log the temperature in each of the storage areas daily. We tested the temperature control logs and there was a lack of control over documenting the temperature in each of the areas in 9 out of 25 samples.

- In 2 out of these 25 samples, the control of documenting the temperature in each of the areas was performed; however, the temperature was higher than USDA required range and a determination could not be made whether there was follow-up to determine the temperature was adjusted to the appropriate range.

Cause:

Administrative services did not have appropriate monitoring over compliance and controls relating to accountability for USDA-donated foods.

Effect:

Noncompliance with the Accountability for USDA-Donated Foods federal regulations

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 2017-044

Recommendation:

The Department should continue to develop its policies and procedures for complying with the accountability for USDA-Donated Foods procedures included in the Uniform Guidance and ensure they are sufficient to meet federal requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Views of Responsible Officials:

We concur. The Department's policies and procedures are currently being reviewed. Though many of the existing documents are comprehensive and adhere to USDA - Donated Foods requirements, in multiple instances they were not completed in entirety leading to a lack of records accountability. Accordingly, staff will be retrained, and procedures will be enhanced to reflect the need for fully completed documentation. Additionally, during the audit process Surplus Distribution discovered a simple and effective improvement to our Delivery Notification (Notification of Shipment) process; the notifications were being sent by from individual staff members email. Sending notification from the Surplus Distribution email will allow immediate access from multiple staff members and ensure records will be stored in one location, leading to increased control. Our delivery procedure is being edited to reflect the change.

Once the aforementioned improvements have been finalized, Surplus Distribution will review the Unloading Records, Delivery Notifications, recipient agency Pick Slip's and Temperature Control Log to evaluate the effectiveness of the retraining, and enhanced procedures. Upon successful completion, Surplus Distribution will have increased accountability measures, internal controls and operational efficiency.

Anticipated Completion Date:

June 30, 2019

Contact Person:

Katie Daley
Federal Surplus Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Education ***2018-035***
NH Department of Education

CFDA # 10.553 School Breakfast Program (SBP)
CFDA #10.555 National School Lunch Program (NSLP)
CFDA #10.556 Special Milk Program (SMP)
CFDA #10.559 Summer Food Service Program (SFSP)

Grant Year and Award:
10/01/2016-9/30/17 Various
10/01/2017-9/30/18 Various

Finding: Internal controls were not functioning and noncompliance over reporting

Criteria:

State Agency Special Reporting – To receive funds for the Child Nutrition Cluster programs, a State agency administering one or more of these programs compiles the data gathered on its subrecipients' claims for reimbursement into monthly reports to its FNS regional office. Such reports present the number of meals, by category and type, served by SFAs or sponsors under the State agency's oversight during the report period.

FNS-13, *Annual Report of State Revenue Matching (OMB No. 0584 - 0075)* – This report is due 120 days after the end of each school year and identifies the State revenues to be counted toward meeting the State revenue matching requirement (7 CFR section 210.17(g)).

FNS-777, Financial Status Report (OMB No. 0584-0067) – This report captures the State agency's cumulative outlays (expenditures) and unliquidated obligations of Federal funds for the programs and program components that comprise the Child Nutrition Cluster. FNS uses the data captured by this report to monitor State agencies' program costs and cash draws (7 CFR sections 210.20(a)(2), 215.11(c)(2), 220.13(b)(2), and 225.8(b)). Two different versions of this form are made available for use by State agencies: one for reporting on Child Nutrition Program funds, and the other for reporting the status of the State agency's SAE grant. This enables the State agency to separately report on its SAE grant which, unlike the program funds, is a 2-year grant.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

Condition:

- FNS 777: The unliquidated obligation amounts included in two of four quarterly FNS 777 reports tested did not represent true obligations as of that point in time but amounts rounded up equaled approximately $1,066,000 to account for future potential claims. Further, NHDOE does not have written procedures for preparing the FNS 777 financial status report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

- FNS 13 and 777: There appears to be a lack of segregation of duties over the compilation and review of the FNS 13 and 777 reports. The Business Administrator prepared, reviewed and certified the report.

Cause:

The NHDOE does not have written policies and procedures over compliance with the FNS 13 and FNS 777 reporting requirements that should include proper reporting of unliquidated obligations.

Effect:

Noncompliance with the reporting of federal regulation

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 continue to develop its policies and procedures for complying with reporting included in the Uniform Guidance and ensure they are sufficient to meet federal requirements.

Views of Responsible Officials:

The NHDOE concurs with this finding.

The NHDOE will develop and document standard policies and procedures including controls for assuring the unliquidated obligations represent true obligations on the quarterly FNS 777 reports and ensuring segregation of duties in the compilation and review of the FNS 13 and FNS 777 reports. Additionally, the NHDOE will develop a written procedure for preparing the FNS financial status reports.

Anticipated Completion Date:

July 1, 2019

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Transportation ***2018-036***
NH Department of Safety

CFDA # 20.600, 20.601, 20.610, 20.612, 20.616 Highway Safety Program Cluster

Grant Year and Award
10/1/2016-9/30/2017; 10/1/2017-9/30/2018 Various

Finding*: *Office of Highway Safety staff failed to review subrecipient audit reports as required by 2 CFR part 200, subpart F.

Criteria:

The State Office of Highway Safety (OHS) is required to evaluate each sub recipient's audit reports for findings related to the Highway Safety Program Cluster in order to ensure that subrecipients take timely and appropriate action on deficiencies detected through audits (2 CFR section 200.331 (d)(2)).

Condition:

The OHS monitors Highway Safety subrecipients by conducting risk assessment activities. The OHS currently reviews the financial statement audit reports for subrecipients but they do not review Uniform Guidance reports to identify findings specifically related to Highway Safety. This needs to be performed in order to ensure that subrecipients take timely and appropriate action on any deficiencies related to the Highway Safety program.

Cause:

OHS performs risk assessments of its subrecipients but it was unaware that it needed to look at single or program-specific audit reports as opposed to financial statement audit reports.

Effect:

OHS may not identify findings specifically related to the Highway Safety program that they then would be required to take action on. OHS would then be unable to ensure that the subrecipient is taking the appropriate action to remediate the deficiency.

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, 2018

Recommendation:

OHS needs to develop policies and procedures to ensure subrecipients Uniform Guidance or program-specific audit reports are reviewed annually and followed up on if required, as opposed to financial statement audit reports.

Views of Responsible Officials:

The New Hampshire Office of Highway Safety (OHS) shall make all necessary improvements to comply with 2 CFR part 200 section 200.331 (d)(2). The OHS will update grant applications to require a Single Audit report or submission of written certification that the applicant is not subject to a Single Audit. OHS will review all reports and certifications received to ensure compliance. If findings specific to Highway Safety programs are detected within an agency's Single Audit, appropriate action shall be taken to ensure that identified subrecipient risks are being timely and appropriately corrected.

Anticipated Completion Date:

June 30, 2019

Contact Person:

John Clegg, Program Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

U.S. Department of Health and Human Services ***2018-037***
NH Office of Strategic Initiatives (OSI)

CFDA# 93.568 Low-Income Home Energy Assistance Program (LIHEAP)

Grant Year and Awards:

10/1/15-9/30/17	***G-16B1NHLIEA***
10/1/15-9/30/17	***G-1601NHLIE4***
10/1/16-9/30/18	***G-17B1NHLIEA***
10/1/16-9/30/17	***G-1701NHLIE4***

Finding*: *OSI did not perform a formal risk assessment for each subrecipient as required

Criteria:

The State Office of Strategic Initiatives (OSI) is required to 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)).

Condition:

The OSI monitors LIHEAP subrecipients by conducting both program monitoring activities and fiscal monitoring activities. The monitoring activities are designed to evaluate a subrecipient's compliance with LIHEAP requirements and the efficiency and effectiveness of the subrecipient's administration of and internal controls over the LIHEAP program. However, the OSI does not currently perform a formal risk assessment of each subrecipient. A formal risk assessment is used to 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 to be performed.

Cause:

OSI performs monitoring activities of its subrecipients but it was unaware that it needed to perform a formal risk assessment of each subrecipient to determine the appropriate subrecipient monitoring activities.

Effect:

OSI may not perform the appropriate subrecipient monitoring activities for each subrecipient. A riskier subrecipient may require more monitoring activities than a less riskier subrecipient.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Recommendation:

OSI should implement a formal risk assessment of each subrecipient prior to performing monitoring activities.

Views of Responsible Officials:

OSI has created a Risk Assessment Tool with scoring matrix which will be completed and reviewed twice per year at minimum, with regards to each subrecipient and in conjunction with scheduled sub-grantee monitoring.

Anticipated Completion Date:

The Risk Assessment Tool will be completed by April 30, 2019 for implementation and use during Federal Fiscal Year 2019.

Contact Persons:

Jane Lemire – Business Director
Tracy Desmarais – Fuel Assistance Program Administrator
Wendy Gilman – Grants and Compliance Officer

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-002	*Multiple*	84.126 10.557 93.563 93.575 93.596 93.658 93.659 93.667 93.959 96.001 12.401 17.225 15.605 15.611	Certain General Information Technology Controls related to removing terminated employees access rights in NHFIRST Human Resources/Payroll ERP System were not operating effectively for the period.	None	*Resolved*
2017-003	*Department of Health and Human Services*	93.778, 93.575, 93.596, 93.658, 93.659	Certain General Information Technology Controls related to the New Heights environment were not operating effectively.	None	*Resolved*
2017-004	*Department of Health and Human Services*	93.778	Cash Management	Not Determinable	*Resolved*
2017-005	*Department of Health and Human Services*	93.778	Subrecipient Monitoring	Not Determinable	*Resolved*
2017-006	*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 2018-002*
2017-007	*Department of Health and Human Services*	10.557	Direct payroll costs not approved appropriately	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-008	*Department of Health and Human Services*	10.557	Subrecipient Monitoring 1 Programmatic Risk Assessment not performed 2 Financial Risk Assessment performed but not communicated to program personnel 3 Financial Monitoring did not appear to exist during the award	Not Determinable	*Partially Resolved. See G-19*
2017-009	*Department of Health and Human Services*	93.575 93.596	Internal controls over and Compliance with the Health and Safety federal requirements were not operating effectively for the entire fiscal year. - Controls over the annual monitoring visits to ensure providers are meeting the Health and Safety requirements, were not operating effectively for the entire fiscal year resulting in some provider annual visits not performed. - Controls over re-licensing visits did not operate effectively for the entire fiscal year. - Three out-of-state providers did not have active licenses on file.	Not Determinable	*Partially Resolved, See G-22 and related finding 2018-010*
2017-010	*Department of Health and Human Services*	93.575 93.596	Cash management - Noncompliance with the Treasury State agreement	None	*Unresolved, See G-25 and related finding 2018-011*
2017-011	*Department of Health and Human Services*	93.575 93.596	Internal controls over eligibility compliance requirements need to be strengthened. Eligibility noncompliance noted.	$ 4,619	*Resolved, Questioned Costs remain open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-012	*Department of Health and Human Services*	93.563 93.575 93.596 93.658 93.659	Allocated payroll costs not approved or fully supported.	Not Determinable	*Resolved*
2017-013	*Department of Health and Human Services*	93.658	Maintenance payment rates are not reviewed annually.	None	*Resolved*
2017-014	*Department of Health and Human Services*	93.658	Controls over the eligibility 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.	Not Determinable	*Resolved*
2017-015	*Department of Health and Human Services*	93.658	Foster Care participant listing incomplete	$ 50,232	*Resolved, Questioned Costs remain open*
2017-016	*Department of Health and Human Services*	93.658	Invoices from contractors lack sufficient support.	Not Determinable	*Partially Resolved. See G-27*
2017-17	*Department of Health and Human Services*	93.667	Earmarking	$ 210,755	*Resolved, Questioned Costs remain open*
2017-018	*Department of Health and Human Services*	93.667	Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipients.	Not Determinable	*Partially Resolved, See G-30*
2017-019	*Department of Health and Human Services*	93.667	Allowable Activities and Costs	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-020	*Department of Health and Human Services*	93.596 93.575 93.667	Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and amounts transferred from the Temporary Assistance for Needy Families program to Social Services Block Grant (SSBG) and Child Care Development Block Grant (CCDF) need to be strengthened	None	*Partially Resolved, See G-34*
2017-021	*Department of Health and Human Services*	93.659	Adoption savings were inaccurately calculated and the reported adoption savings expended improperly included federally funded expenditures.	None	*Unresolved, See G-37*
2017-022	*Department of Health and Human Services*	93.659	Report CB-496, Title IV-E Programs Quarterly Financial Report included improper information or missing information.	None	*Unresolved, See G-40*
2017-023	*Department of Health and Human Services*	93.959	Subrecipient Monitoring	Not Determinable	*Resolved*
2017-024	*Department of Health and Human Services*	93.959	Level of Effort – Maintenance of Effort	$ 306,955	*Resolved, Questioned Costs remain open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-025	*Department of Health and Human Services*	93.268	Subrecipient Monitoring • Programmatic risk of noncompliance with Federal regulations is not evaluated • Financial and programmatic monitoring of subrecipient activities was not formalized and needs improvement • Payments made to subrecipients did not contain the required information and certain required information is not communicated	Not Determinable	*Partially Resolved See G-42 and related finding 2018-013*
2017-026	*Department of Health and Human Services*	93.268	A Form 170 used to transfer an employee within Health and Human Services does not appear to have been processed timely or monitored	None	*Partially Resolved See G-46*
2017-027	*Department of Fish and Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	None	*Partially Resolved. See G-49.*
2017-028	*Department of Fish and Game*	15.605 15.611	Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Partially Resolved. See G-52.*
2017-029	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Partially Resolved. See G-54.*
2017-030	*Department of Fish and Game*	15.605 15.611	Inadequate controls over suspension and debarment requirements	None	*Partially Resolved. See G-58.*
2017-031	*Department of Fish and Game*	15.605 15.611	Incorrect benefit hours amount were used in the indirect cost calculations	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-032	*Department of Employment Security*	17.225	Controls over Federal Reporting Procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements.	None	*Resolved*
2017-033	*Department of Employment Security*	17.225	Noncompliance with claimants being registered for work in the "Job Match System," without a current resume	$ 1,589	*Resolved*
2017-034	*Department of Employment Security*	17.225	Claimants Should Be Notified Of Their Right to Appeal Benefit Overpayment Determinations	None	*Resolved*
2017-035	*Department of Transportation*	20.205 20.219 20.224	Verification check not performed for Suspension and Debarment and no suspension and debarment certification signed by subrecipient.	None	*Resolved*
2017-036	*Department of Transportation*	20.205 20.219 20.224	Noncompliance with certain components of the subrecipient monitoring requirements.	None	*Resolved*
2017-037	*Department of Education*	84.126	Semi annual certification supporting salaries and wages was missing	Not Determinable	*Resolved*
2017-038	*Department of Education*	84.126	2 Municipal agreements did not contain all of the required CFR 200.331 documentation. Examples include: DUNS number, end dates of the award, federal awarding agency, provision to allow access to records, and CFDA# and award name at the time of each disbursement.	$ 44,004	*Partially Resolved, see G-60*
2017-039	*Department of Education*	84.126	Maintenance of Effort was not reached for FFY17	$ 547,374	*Resolved*
2017-040	*Department of Education*	84.126	SF-425 Report completed and submitted was incorrect	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-041	*Department of Education*	84.126	Individual Plans for Employment - Special test completion guidelines were not followed.	None	*Resolved*
2017-042	*Department of Education*	84.010	Lack of policy to ensure LEA's implement Assessment System Security measures	None	*Unresolved See G-63 and related finding 2018-026*
2017-043	*Department of Education*	84.010 84.027 84.173 84.367	Internal controls and compliance over the subrecipient monitoring requirements should be improved.	Not Determinable	*Unresolved for 84.010 and 84.367. See G-66 and related finding 2018-024. Resolved for 84.027 and 84.173*
2017-044	*Department of Administrative Services*	10.553 10.555 10.556 10.559	Accountability for USDA-Donated Foods	None	*Partially Resolved See G-70 and related finding 2018-034*
2017-045	*Department of Administrative Services*	10.553 10.555 10.556 10.559	FNS-10 Report of School Program Operations & FNS-418 Report of the Summer Food Program for Children did not agree to supporting documentation	None	*Resolved*
2017-046	*Department of Environmental Services*	66.458 66.468	Subrecipient monitoring requirements should be implemented	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-047	*Department of Environmental Services*	66.458 66.468	Controls over the Matching and Earmarking Requirements for the DWSRF and CWSRF Programs Should Continue to be Documented	None	*Resolved*
2017-048	*Department of Environmental Services*	66.458	Noncompliance with Setting of Principal and Interest Repayment Due Dates for the CWSRF Program	None	*Resolved*
2017-049	*Department of Education*	84.010 84.027 84.173 84.367	Certain General Information Technology Controls related to the Grants Management System environment were deemed not to be operating effectively during the period.	None	*Resolved*
2016-005	*Multiple*	84.126 10.557 93.069 93.268 93.563 93.575 93.596 93.658 93.667 93.758 93.889 93.959 12.400 12.401 17.225 15.605 15.611	Ineffective general information technology controls related to the NHFIRST Human Resources/Payroll Lawson System	None	*Resolved*
2016-006	*Department of Health and Human Services*	93.778 93.575 93.596 93.658	Ineffective general information technology controls related to the New Heights application for the Department of Health and Human Services	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-007	*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-73 and related finding 2018-002*
2016-013	*Department of Health and Human Services*	10.557	Non-compliance with parts of subrecipient monitoring and cash management requirements	Not determinable	*Partially Resolved. See G-76*
2016-014	*Department of Health and Human Services*	93.575 93.596	Noncompliance with components of the health and safety special test	Not Determinable	*Partially Resolved, See G-79 and related finding 2018-010*
2016-015	*Department of Health and Human Services*	93.575 93.596	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	$ 693,161	*Resolved*
2016-016	*Department of Health and Human Services*	93.575 93.596	Incentive payments to providers were not approved by the Federal government	$ 792,720	*Resolved*
2016-018	*Department of Health and Human Services*	93.658	In-kind contributions were used to meet the required Federal match. Controls over adjustments to record the match are not operating effectiently	$ 25,093	*Resolved*
2016-019	*Department of Health and Human Services*	93.658	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 perioic review	Not determinable	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-021	*Department of Health and Human Services*	93.658	Controls over eligibity requirement to perform background checks in other state should be strengthened. The Provider applicaion does not inquire of the other State, a prospective foster or adoptive parent and any other adult living in the home, have resided in the preceding 5 years	Not determinable	*Resolved*
2016-022	*Department of Health and Human Services*	93.667	Noncompliance with earmarking requirements	$ 126,155	*Resolved, Questioned Costs remain open*
2016-024	*Department of Health and Human Services*	93.667	Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipient	Not determinable	*Partially Resolved, See G-81*
2016-025	*Department of Health and Human Services*	93.069 93.889	The Department should improve its internal controls over the Matching and Maintenance of Effort (MOE) requirement and comply with the MOE requirements	Not determinable	*Unresolved, See G-84 and related finding 2018-015*
2016-026	*Department of Health and Human Services*	93.069 93.889	Noncompliance with components of the subrecipient monitoring and cash management requirements	Not determinable	*Resolved*
2016-027	*Department of Health and Human Services*	93.758	Noncompliance with components of subrecipient monitoring and cash management	Not determinable	*Partially resolved, See G-87*
2016-028	*Department of Health and Human Services*	93.758	DHHS should improve its internal controls over and comply with the Maintenance of Effort requirements	$ 82,080	*Resolved Questioned Costs Remain Open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-029	*Department of Health and Human Services*	93.069	Controls need to be strengthened over authorization of costs. Overtime charged to the grant but not approved as required by the grant award	$ 88,200	*Resolved Questioned Costs Under Appeal*
2016-030	*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.	$ 60,122	*Unresolved, See G-91 and related finding 2018-016*
2016-031	*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-93 and related finding 2018-017*
2016-033	*Department of Health and Human Services*	93.563 93.575 93.596 93.658	Allocated payroll costs not approved or fully supported	None	*Resolved*
2016-038	*Department of Fish and Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	None	*Partially Resolved. See G-95*
2016-039	*Department of Fish and Game*	15.605 15.611	Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Partially Resolved. See G-98.*
2016-040	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Partially Resolved. See G-101*
2016-041	*Department of Employment Security*	17.225	Controls over Federal Reporting Procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-042	*Department of Employment Security*	17.225	Controls over claimants being registered for work in the "Job Match System" need to be strengthened to ensure compliance with State eligiblity requirements	None	*No further Action Required*
2016-044	*Department of Education*	84.126	Special test completion guidelines were not followed	None	*Resolved*
2016-045	*Department of Education*	84.126	Semi-annual certification supporting salaries and wages was missing	None	*Resolved*
2016-050	*Department of Environmental Services*	66.468	Risk assessment for compliance with subrecipient monitoring should be developed	None	*Resolved*
2016-051	*Department of Environmental Services*	66.458 66.468	Controls over the matching and earmarking requirements for the DWSRF and CWSRF programs should be strengthened	None	*Resolved*
2016-053	*Department of Environmental Services*	66.458 66.468	Noncompliance with setting of principal and interest repayment due dates for the CWSRF and DWSRF programs	None	*Resolved*
2016-054	*Department of Health and Human Services*	93.959	Noncompliance with components of the subrecipient monitoring requirements	None	*Resolved*
2016-055	*Department of Health and Human Services*	93.959	Noncompliance with the period of performance and reporting requirements	$ 428,365	*Resolved Questioned Costs Remain Open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 related to the NHFirst Human Resources/Payroll Lawson System	None	*Resolved*
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	*Resolved*
2015-005	*Department of Health and Human Services*	93.667	Payroll costs not approved or fully supported for grant employees	$ 194	*Resolved*
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-104 and related finding 2018-002*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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-107*
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-110 and related finding 2018-016*
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-113 and related finding 2018-017*
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	*Resolved*
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-115.*
2015-020	*Department of Fish and Game*	15.605 15.611	Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Partially Resolved. See G-118.*
2015-021	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Partially Resolved. See G-121.*
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	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-027	*Veteran's Home*	64.015	Controls over per diem requests should be improved	$ 6,609	*Resolved Questioned Costs Remain Open*
2015-031	*Department of Education*	84.126	Semi-annual certification supporting salaries and wages was missing	Not determinable	*Resolved*
2015-046	*Department of Environmental Services*	66.468 66.458	Noncompliance with setting of principal and interest repayment due dates	None	*Resolved*

TOTAL UNRESOLVED QUESTIONED COSTS AS OF MARCH 2019: $ 1,459,616

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-006***
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program

Grant Year and Award:

10/01/2014 – 09/30/2015	*MP*	*1505NH5MAP*
10/01/2015 – 09/30/2016	*MP*	*1605NH5MAP*
10/01/2016 – 09/30/2017	*MP*	*1705NH5MAP*
10/01/2014 – 09/30/2015	*MT*	*1505NH5ADM*
10/01/2015 – 09/30/2016	*MT*	*1605NH5ADM*
10/01/2016 – 09/30/2017	*MT*	*1705NH5ADM*

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).

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 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 noted that the Department has traditionally contracted with an external QIO. As part of its contract the QIO is required to perform reviews over inpatient hospital paid claims. The Department however has been without a QIO since September 2014. As a result, there were no utilization procedures performed to ensure the years ending June 30, 2016 and 2017 related to 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. The Department has procured a new QIO contractor, however, the approval of the contract was not obtained until June, 2017 and the new QIO did not start performing reviews until September 2017.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

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 2016-007

Recommendation:

We recommend that the Department strengthen its 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.

Views of Responsible Officials:

The current backlog of inpatient hospital paid claims has been initiated by the QIO in September of 2017 starting with the 2014 cases first and moving forward. As of 12/22/2017 1095 paid in patient claims have been requested from inpatient facilities in state and approximately 200 completed with no findings and the others are in review for coding or waiting for documents to be submitted. The reviews have been slow to complete due to staffing of the QIO that was not in place when contract signed. We are renewing the current contract for 1 year to ensure backlog is completed

Anticipated Completion Date:

June 2019

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Contact Person:

Karen Carleton, RN
Program Integrity Administrator, Bureau of Improvement and Integrity

Status as of March 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-002.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-008***
N.H. Department of Health and Human Services

CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants, Children

Grant Year and Award:
10/01/2015-9/30/2016 4NH700703 013
10/01/2015-9/30/2018 4NH700743 000
10/01/2016-9/30/2017 4NH700703 009

Finding: Subrecipient Monitoring

1. ***Programmatic Risk Assessment not performed***
2. ***Financial Risk Assessment performed but not communicated to program personnel***
3. ***Financial Monitoring did not appear to exist during the award***

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).

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Condition:

The Department of Health and Human Services (the Department) uses sub-recipients to perform programmatic portions of the WIC program. During our review, we noted only a formal financial risk assessment of subrecipients was completed during fiscal 2017, and not a programmatic risk assessment. However, the financial risk assessment was not communicated to program personnel. Through this risk assessment, a subrecipient received a "high risk' level, which means "proceed with caution – may contract with vendor if no other provider can deliver essential services" and recommends monitoring of compliance with programmatic and financial measures on a monthly basis. Although program personnel increased their monitoring of the subrecipient due to prior years significant required corrective actions identified during programmatic monitoring, the increased monitoring included a modified annual management evaluation in the current year, not the suggested monthly monitoring.

We were not provided evidence financial monitoring occurred during 2017 for our sample of 2 out of 4 subrecipients. Request for reimbursement is provided to the Department from the subrecipient through a budget-expenditure template, which includes expenditures such as personnel, supplies, building and consultants. The Department's sole control over these amounts is a comparison of the expenditure being requested for reimbursement to the remaining available funds per the local agencies contract. We did not see evidence through financial monitoring, that procedures were performed and controls in place to ensure the expenditures charged to the Department are allowable and spent on the contract's objectives.

Cause:

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

Effect:

Noncompliance with the Subrecipient Monitoring and Allowable cost principles.

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 2016-013

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. Risk assessments performed should be more than a financial assessment, and communicated timely with those charged with contracting and monitoring performance of the subrecipient so that procedures may be modified as required.

We recommend the Department ensure appropriate financial monitoring of the subrecipients occur periodically to ensure the expenditures requested for reimbursement are accurate, and properly support contract objectives.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Views of Responsible Officials:

#1 The Department concurs and in response the Department has commenced a comprehensive training program regarding compliance with Uniform Guidance. Topics in the first phase of training include but are not limited to the following: Sub-Recipient Determination, Pre-Selection Financial Risk Assessment, *Comprehensive Risk Assessment Tool*, Sub-Recipient Monitoring Options as identified by the Risk Assessment Tool, Federal Funding Accountability Transparency Act informational requirements pertaining to sub-wards.

#2 The Department concurs. Corrective action has been implemented starting in calendar 2018 the Financial Risk Analysis schedules that have been completed and communicated to both the Contracts & Procurement Unit as well as the Program Area contact person.

#3 The Department concurs and in response the Department has commenced a comprehensive training program regarding compliance with Uniform Guidance. Topics in the first phase of training include but are not limited to the following: Sub-Recipient Determination, Pre-Selection Financial Risk Assessment, Comprehensive Risk Assessment Tool, *Sub-Recipient Monitoring Options* as identified by the Risk Assessment Tool, Federal Funding Accountability Transparency Act informational requirements pertaining to sub-wards.

Anticipated Completion Date:

It is anticipated that contracts with SFY 2019 approval (Governor & Council items awarded from July 1, 2018 and after) will be monitored as per the newly developed policy and procedure.

Contact Person:

Dolores Cooper, Administrator III

Status as of March 2019:

Partially resolved. The corrective action plan is in the process of being implemented. Currently, programmatic risk assessments are being accomplished for all brand new procurements using a newly developed "Risk Assessment Tool"

Pre-award financial risk assessments are being communicated to both the program as well as the contract specialist for all brand new procurements.

Financial monitoring is being phased in and is not yet completed. The Department is currently developing and will be rolling out to all DHHS staff involved in contract management, a Contract Management 101 training beginning in the fall of 2019. Combined with the subrecipient training module and tools, staff will be trained and introduced to contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by more specialized trainings and supporting tools and procedures for expenditure testing, site visits, files reviews, and corrective action planning. The anticipated completion date is 12/31/2019.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-009***
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 Awards:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
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
10/1/2013 – 9/30/2016 2014G996005

Finding: Internal controls over and Compliance with the Health and Safety federal requirements were not operating effectively for the entire fiscal year.

- *Controls over the annual monitoring visits to ensure providers are meeting the Health and Safety requirements, were not operating effectively for the entire fiscal year resulting in some provider annual visits not performed.*
- *Controls over re-licensing visits did not operate effectively for the entire fiscal year.*
- *Three out-of-state providers did not have active licenses on file.*

Criteria:

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.

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. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Department's key controls to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements, are to maintain provider agreements with all providers and have a licensing supervisor review all re-licensing site visits prior to the issuance of a new license.

Condition:

Through our testwork over the Health and Safety requirements, we noted that during part of 2017, controls needed to be strengthened to ensure the required annual calendar year unannounced site visits are performed. We selected 65 providers for testing and noted that four of the providers did not have an unannounced (or announced) site visit within the 2016 calendar year, the year audited for site visits as the State's requirement is on a calendar year basis.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

We also noted that five of the 65 providers re-licensing visits were not reviewed by a supervisor.

Three out-of-state providers selected had expired licenses on file. Due diligence was not performed in a timely manner to request renewed licenses from the providers.

Cause:

The cause of the condition found is due to the lack of a schedule and procedures in place to ensure proper annual monitoring is taking place. An available report is underutilized which prioritizes sites that have not received recent visits.

The cause of the lack of supervisorial review is due to the newly implemented controls not being put in place until February 2017.

The cause of the out-of-state provider due diligence relates to the licenses frequently expiring, and a shortage of staff to maintain a status log for these renewals.

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 2016-014

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 in accordance with Department policy.

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

We recommend the Department implement controls to ensure the proper due-diligence is performed over the licensing of out-of-state providers.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Views of Responsible Officials:

RE: Provider annual visits were not performed.

The Department concurs that the 4 provider site visits noted in the condition, were not completed for calendar year 2016; however, all providers reviewed had inspections completed in calendar year 2017.

RE: Controls over re-licensing visits did not operate effectively.

The Department concurs.
The Department has corrected the procedure. In addition there was no findings in this audit for any relicensing reviews that were completed in CY 2017. The Department will continue to implement the controls put in place to ensure that all relicensing inspections receive documented supervisor approval.

RE: Expired Licenses from Out-of-State Providers

The Department concurs and offers the following corrective action plan.
Effective February 21, 2018, the Department has put in place the following procedures to ensure the timely identification of out-of-state providers with expired licenses:
1) The Bureau will run monthly reports on the licensing status of all out-of-state child care providers enrolled in the NH Child Care Scholarship Program;
2) A letter will be generated and mailed to those with licenses that have expired, or are about to expire (i.e., in the next 30 days), notifying them that a current license must be on file with the Bureau. The letter will stipulate that they will have two weeks from the date the letter is received to

(a) submit a copy of a current license (in effect for the upcoming year), or
(b) submit documentation from the state's child care licensing agency that the provider is in good standing and the license is pending. In the latter case, the provider must submit a copy of the license to the Bureau once received.

Anticipated Completion Date:

Completed as stated above.

Contact Person:

Debra Nelson, Administrator, Bureau of Child Development and Head Start Collaboration

Status as of March 2019:

Partially resolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-010.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-010***
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 Awards:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
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
10/1/2013 – 9/30/2016 2014G996005

***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:

The Treasury State Agreement (TSA) effective for fiscal 2017 lists separate funding techniques for each CFDA# included in the child care cluster: CFDA# 93.575 Child Care Development Block grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund. In the TSA, the funding technique for CFDA#93.575 is actual draw-quarterly only; however, the Department also draws funds under this CFDA through the cash management improvement act with a 3 day clearance pattern.

Further, we were provided an incomplete listing of cash draws for the period, noting certain discretionary and mandatory draws were not included in the population. We identified these through our reconciliation of the draw population received to the grant ledgers.

Cause:

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 patterns established within its Treasury State Agreement. Further, we recommend populations provided for audit be reconciled first.

Views of Responsible Officials:

The Department concurs. Beginning in SFY 2019 the 93.575 CFDA number will be updated in the TSA to reflect a technique of average clearance.

Anticipated Completion Date:

July 1, 2018

Contact Person:

Mary Calise, Deputy Chief Financial Officer

Status as of March 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-016***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Awards:

07/1/2016 – 09/30/2016 2016G994107
10/1/2016 – 06/30/2017 2017G994107

Finding: Invoices from contractors lack sufficient support.

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.

Funds may be expended for training (including both short- and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions) of personnel employed or preparing for employment by the agency administering the plan (42 USC 674(a)(3)(A)). All training activities and costs funded under Title IV-E shall be included in the Title IV-E agency's training plan for Title IV-B (45 CFR section 1356.60(b)(2)).

Funds may be expended for short-term training of (1) relative guardians; (2) State/tribe-licensed or State/tribe-approved child welfare agencies providing services to children receiving Title IV-E assistance; (3) child abuse and neglect court personnel; (4) agency, child or parent attorneys; (5) guardians ad litem; and (6) court appointed special advocates (42 USC 674(a)(3)(B), as amended by Section 203 of Pub. L. No. 111-351).

Funds may be expended for short-term training, including associated travel and per diem, of current or prospective foster parents and staff of licensed or approved child-care institutions at the initiation of or during their period of care (45 CFR section 1356.60(b)(1)(ii)).

States must expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. States must have written procedures for determining cost allowability and must have effective control over all funds. Uniform Guidance 2 C.F.R. 200.302

Condition:

During our testwork we noted invoices submitted by the training contractors are monthly reports of budget to actual expenditures including classifications of costs such as salaries and wages, conferences, group course, etc. It appears controls over the accuracy and validation of these invoices, includes only a review to ensure the total contract price is not exceeded, even though the contract is on a cost-reimbursement basis based on actual expenditures incurred. The Department does review weekly reports from the contractors, but it is not evident how these reports translate to the costs billed. The controls in place appear to not be at

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

the level of precision required to be able to determine whether the costs were allowable costs under the federal regulations.

Cause:

The cause of the condition found is due to lack of controls over ensuring costs charged to federal programs are accurate and allowable.

Effect:

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

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

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

Recommendation:

We recommend the Department require contractors to provide additional support behind the budget to actual monthly expenditure analysis for the Department to more properly make a determination as to whether the costs incurred are allowable under Federal regulations.

Views of Responsible Officials:

The Department concurs in part with the finding as written, because the Department reviews program costs in relationship to the activities performed and periodically questions costs as necessary including requesting detailed supporting documentation. In addition to weekly reporting of activities in this case and weekly meetings which include a review of accomplishments of the contract goals and performance measures such as planned conferences and workshops, activity evaluations, registration activity, attendance, and training activities. The program unit will put in place a control to reflect the review of reports and any detailed supporting documentation requested during the course of the fiscal year consistent with the department wide *Sub-recipient Monitoring* training.

Anticipated Completion Date:

April 2, 2018

Contact Persons:

Heidi Young, Administrator I

Rebecca Lorden, Administrator III

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Status as of March 2019:

Partially resolved. The corrective action plan is in the process of being implemented. The Program has strengthened their subrecipient monitoring procedures to ensure 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. (Anticipated Completion - Quarter 2, SFY 2019)

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-018***
NH Department of Health and Human Services

CFDA # 93.667 ***Social Services Block Grant, Title XX***

Grant Year and Awards:
10/01/2014 – 09/30/2016 ***1501NHSOSR***
10/01/2015 – 09/30/2017 ***1601NHSOSR***
10/01/2016 – 09/30/2018 ***1701NHSOSR***

Finding: Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipients.

Requirement:

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, 2017, 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 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 and certain other requirements, 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 (UG).

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 forty (40) payments made to subrecipient during the audit period and noted the following:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

- The Department does not identify subawards to subrecipients and contracts to vendors separately and the SFY 2017 subrecipients were not identified by the Department. We also noted that the determination of subrecipients requiring an UG audit is based on a per contract/subaward basis and as this tracking may be useful for certain monitoring requirements, the process may not accurately account for subrecipients receiving in excess of $750,000 if Federal budgets change during the contract/subaward period. Based on our review of the Federal expenditures, we noted that there appears to be approximately forty-four (44) subrecipients of which six (6) were not identified as a subrecipient by the responsible Divisions/Bureaus. Additionally, one (1) of the subrecipients received in excess of the single audit threshold of $750,000 but did not obtain the required UG audit as the subrecipient was unaware that they received Federal funds in excess of the single audit threshold.

  The Department did not identify the Federal Award Identification Number (FAIN) and did not include the FAIN number in ten (10) of the (10) subawards during the audit period. The Department should include the FAIN number (including applicable year) in which the subaward will be funded.

- The Department did not include the date when the Federal award was signed by the authorized official of the Federal awarding agency in ten (10) of the ten (10) 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 ten (10) of the ten (10) 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 for each of the forty (40) subaward payments selected.

- Of the forty (40) subrecipient payments relating to the ten (10) subrecipients selected, we noted that there was no evidence of program level approvals for thirty-four (34) of the subrecipient payments nor was there evidence of a programmatic review to ensure that the underlying support of forty (40) of the subrecipient payments is in compliance with the Federal regulations. The lack of the programmatic monitoring of the DCYF subrecipients resulted in a finding relating to the earmarking requirements.

Further, we noted that the Department did not evaluate each of the ten (10) subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the ten (10) subawards nor has the Department implemented a process to evaluate the subrecipients' risk of noncompliance.

Cause:

The State Department's policies and procedures to monitor subrecipients did not include a review precise enough to detect non-compliance of subrecipients and the current policies and procedures in place the Department is having difficulty meeting the UG requirements.

Effect:

The possible effect is non-compliance with the subrecipient monitoring requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 2016-024

Recommendation:

We recommend management strengthen the subrecipient monitoring procedures to provide reasonable assurance that the subrecipient activities are in accordance with Federal regulations including establishing a process to identify subrecipients and the amount of Federal funds provided in order to create a master subrecipient list based on actual amounts provided and not contracted amounts.

Views of Responsible Officials:

The Department Concurs.

The Department has started to develop a Department-wide procedure to ensure the dollar amount made available under each Federal award and applicable CFDA number are provided to every subrecipient at the time of disbursement. Once this procedure is in place, every subrecipient receiving federal funds from the Department will know the cumulative total amount of federal funds it receives. In the intermediary, the Department will produce reports to identify subrecipients that cumulatively receive more than $750,000 of federal funds in a single fiscal year and inform them of the audit requirements under 2 CFR Part 200, Subpart F.

The Department will review and make the necessary changes to its subrecipient monitoring procedures to ensure:

(1) Vendors are clearly identified as subrecipients in every contract;
(2) Every contract will include the required elements of 2 CFR 200.331(1);
(3) Adequate programmatic monitoring and approval occurs; and

The aforementioned review will be part of the Department's comprehensive Uniform Guidance compliance initiative that began in late 2017. Through the initiative, the Department has implemented a standardized policy and procedure for making subrecipient determinations, assessing programmatic and financial risks, and selecting appropriate monitoring activities based on risk. As of March 2018, Approximately 250 personnel have been trained on aforementioned policy and procedures.

Contact Persons:

Nathan White, Grants Manager

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Mary Calise, Deputy Chief Financial Officer

Anticipated Completion Date:

December 2018

Status as of March 2019:

Partially resolved. In July 2018, the Department sent notifications to all vendors that received $750,000 or more of applicable federal funds during fiscal year 2018.

The Department's Contract and Procurement Unit (CU) has implemented a process to ensure subrecipients are identified in every contract. The CU hired an attorney in the Spring of 2018 who is conducting a thorough review of the Department's contract templates and will be working to incorporate all of the required elements of 2 CFR 200.331(a)(1).

The Department is currently developing and will be rolling out to all DHHS staff involved in contract management, a Contract Management 101 training this coming fall. Combined with the subrecipient training module and tools, staff will receive training and be introduced to contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements.

The Department has initiated a two (2) pronged approach to include the proper information on subawards as required by 2 CFR 200.331 that will be phased in for new procurements and subsequent amendments. 1) Include the necessary information as per 2 CFR 200.331 on the subaward document, and 2) Provide an invoice template to subrecipients with updated Federal Award Information that upon submission for payment indicates the respective award and amount.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-020***
N.H. Department of Health and Human Services

CFDA #93.596, 93.575 Child Care and Development Fund Cluster
CFDA #93.667 Social Services Block Grant

Grant Year and Award:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
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
10/1/2013 – 9/30/2016 2014G996005
10/01/2014 – 09/30/2016 1501NHSOSR
10/01/2015 – 09/30/2017 1601NHSOSR
10/01/2016 – 09/30/2018 1701NHSOSR

Finding: Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and amounts transferred from the Temporary Assistance for Needy Families program to Social Services Block Grant (SSBG) and Child Care Development Block Grant (CCDF) need to be strengthened

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 auditees financial statements, which must include the total Federal awards expended as determined in accordance with section 200.502, which states the determination of when a federal award is expended must be based on and include CFDA numbers provided in Federal awards/subawards and associated expenditures.

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 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) and Social Services Block Grant (SSBG). 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 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 SEFA SSBG and CCDF federal programs expenditures, we noted the Department of Health and Human Services (the Department) transferred approximately $3.7 million of TANF funds into the CCDF and SSBG program. The Department did not properly report the transferred funds on the

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

SEFA when it was compiled and incorrectly reported the transferred funds as TANF expenditures instead of CCDF and SSBG expenditures as required by federal regulations, understating CCDF federal expenditures by $2.8 million and SSBG federal expenditures by $.9 million. The understatement of the SSBG federal expenditures originally caused the program to not be considered a Type A program, and possibly not be subject to audit.

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.

Effect:

The effect of the condition found is that total expenditures for the TANF, CCDF and SSBG programs were reported incorrectly on the original SEFA.

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 2015-008

Recommendation:

We recommend that the Department review its existing procedures to prepare the SEFA and implement procedures to ensure that Federal amounts are reported accurately on the SEFA. This will help to ensure programs audited are in compliance with the federal Uniform Guidance regulations.

View of Responsible Officials:

The Department concurs. The Department will review its existing procedures for the preparation of the SEFA to evaluate the effectiveness and efficiency of the process while improving compliance with federal Uniform Guidance regulations. The Department will take the necessary actions to correct any control weaknesses, which may include new controls, strengthening of existing controls, enhance existing policies and procedures and engaging in the necessary staff training.

Anticipated Completion Date:

June 1, 2018

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Contact Person:

Hannah Glines, Administrator IV

Status as of March 2019:

Partially resolved. Due to many procedural changes and reporting enhancements the revised SEFA reconciliation is still in process. It was expected the new process would have been documented by September 30, 2018 however unanticipated challenges have delayed the Department's documentation and implementation.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-021***
N.H. Department of Health and Human Services

CFDA # 93.659 Adoption Assistance—Title IV-E

Grant Year and Awards:
07/1/2016 – 09/30/2016 1601NHADPT
10/1/2016 – 06/30/2017 1701NHADPT

Finding: Adoption savings were inaccurately calculated and the reported adoption savings expended improperly included federally funded expenditures.

Criteria:

The state is required to calculate the adoption savings resulting from the application of differing program eligibility rules (42 USC 673(a)(2)(A)(ii)) to all applicable children for a fiscal year, using a methodology specified by ACF or an alternate methodology proposed by the Title IV-E agency and approved by ACF (42 USC 673(a)(8)(A) as amended by Pub. L. No. 113-183 and Program Instruction ACYF-CB-PI-15-06, dated May 22, 2015). An applicable child is a child for whom an adoption assistance agreement was entered into in fiscal year (FY) 2010 or later and who meets the applicable age requirement (differs over a 9 fiscal year phase-in period beginning in FY 2010), or a child who has been in foster care under the responsibility of the Title IV-E agency for at least 60 consecutive months, or a sibling to either such child if both are to have the same adoption placement (42 USC 673(e)(2) and (e)(3)).

A Title IV-E agency is required to spend an amount equal to any savings (hereafter referred to as "adoption savings") in State expenditures under Title IV-E as a result of applying the differing program eligibility rules to applicable children for a fiscal year for any services that may be provided under Title IV-B or IV-E (42 USC 673(a)(8)).

Adoption savings must be expended for services that may be provided under the Title IV-B or IV-E programs; at least 30 percent of which must be spent on post-adoption services, post- guardianship services and services to support positive permanent outcomes for children at risk of entering foster care. At least two- thirds (2/3) of the 30 percent must be spent on post-adoption and post-guardianship services ((42 USC 673(a)(8)(D)(i) as amended by Pub. L. No. 113-183).

Condition:

During our testwork we noted the following:

The method used by the Department to calculate the adoption savings relies on the amount of gross adoption assistance payments, number of children receiving Title IV-E adoption assistance payments and the number of applicable children. This information is obtained from the quarterly CB-496 reports, however, the reports were found to improperly include children not receiving Title IV-E. Health and Human Services (the Department) reported the total number of children eligible for Title IV-E (1,092) rather than the total number of children receiving IV-E adoption assistance payments (652). Therefore the calculation of adoption savings was calculated incorrect. Adoption savings was calculated to be $31,667, but should have been $49,294.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

The Department reports the amount of the adoption savings spent on allowable services on Part 4 within the CB-496 report. We noted the expenditure reports improperly included federally funded expenditures of $3,203.

Cause:

The cause of the condition found is weakness in internal control over the level of effort compliance requirement.

Effect:

The Department is not in compliance with the level of effort adoption calculation or the adoption savings expenditures federal requirement.

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 strengthen its internal controls over ensuring the level of effort compliance requirement is met. Specifically, we recommend the Department recalculate the adoption savings excluding children not receiving Title IV-E funding and exclude federally funded expenditures to include only allowable expenditures. We then recommend the Department resubmit the corrected Part 4 form in the annual CB-496 reports, as needed.

Views of Responsible Officials:

The Department concurs. The process for completing the CB-496 quarterly report has been analyzed to identify and isolate only allowable expenditures. The related procedure has been enhanced to eliminate the inaccuracies cited. Effective March 31, 2018 and moving forward, the Department does not expect the cited inaccuracies in the future.

Anticipated Completion Date:

March 31, 2018

Contact Person:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Rebecca Lorden, Administrator III

Status as of March 2019:

Unresolved. The process for completing the CB-496 quarterly report has been analyzed to identify and isolate only allowable expenditures. The related procedure is in the process of being enhanced to eliminate the inaccuracies cited. Effective September 30 and moving forward, the Department does not expect the cited inaccuracies in the future.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-022***
N.H. Department of Health and Human Services

CFDA # 93.659 Adoption Assistance—Title IV-E

Grant Year and Awards:
07/1/2016 – 09/30/2016 1601NHADPT
10/1/2016 – 06/30/2017 1701NHADPT

Finding: Report CB-496, Title IV-E Programs Quarterly Financial Report included improper information or missing information.

Criteria:

Title IV-E agencies are required to report current expenditures and information on children assisted for each quarter and estimates of expenditures and children to be assisted for the next quarter on the CB-496, Title IV-E Programs Quarterly Financial Report.

One of the key line items identified is Part 1, Expenditures, Estimates and Caseload Data, columns (A) through (D) (Sections B and D (Adoption Assistance Program). Section B is the financial information. Section D is the caseload data. Section D contains three line items 45-47, each line reports the average monthly number of children assisted for different types of assistance received.

Line 45 reports the number of children receiving Title IV-E adoption assistance payments for whom the costs were reported on Lines 21 and 22 in Section B. Line 46 reports the number of children receiving any adoption assistance payments. Line 47 reports the number of children receiving Title IV-E non-recurring administrative cost payments whose cost was reported on Line 24 in Section B.

Condition:

During our testwork over two of the four reports, we noted the following:

- For both reports tested, on line 45 Health and Human Services (the Department) reported the total number of children eligible for Title IV-E (1,092) rather than the total number of children receiving IV-E adoption assistance payments (652).
- For the report quarter ending June 30, 2017, on line 47 the Department reported one child receiving non-recurring payment but no such recurring payments were reported on line 24 in the financial data section. Based on supporting documentation it appears, three children received non-recurring payments during the quarter.

Cause:

The cause of the condition found is weakness in internal control over the reporting compliance requirement.

Effect:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

The Department is not in compliance with the requirements of reporting for the 496 Report.

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 implement controls over ensuring the report is submitted accurately and in accordance with Federal regulations.

Views of Responsible Officials:

The Department concurs. The process for completing the CB-496 quarterly report has been analyzed to address the finding cited above. The related procedure has been enhanced to eliminate the inaccuracies cited. Effective March 31, 2018 and moving forward, the Department does not expect the cited inaccuracies in the future.

Anticipated Completion Date:

March 31, 2018

Contact Person:

Rebecca Lorden, Administrator III

Status as of March 2019:

Unresolved. The process for completing the CB-496 quarterly report has been analyzed to identify and isolate only allowable expenditures. The related procedure is in the process of being enhanced to eliminate the inaccuracies cited. Effective September 30 and moving forward, the Department does not expect the cited inaccuracies in the future.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-025***
N.H. Department of Health and Human Services

CFDA # 93.268 Immunization

Grant Year and Award:
01/01/2013- 12/31/2017 NH23IP000757-04-00
01/01/2013-12/31/2017 NH23IP000757-04-02
01/01/2013-12/31/2017 NH23IP000757-04-04

Finding: Subrecipient Monitoring

- ***Programmatic risk of noncompliance with Federal regulations is not evaluated***
- ***Financial and programmatic monitoring of subrecipient activities was not formalized and needs improvement***
- ***Payments made to subrecipients did not contain the required information and certain required information is not communicated***

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:

5. The subrecipient's prior experience with the same or similar subawards;

6. 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;

7. Whether the subrecipient has new personnel or new or substantially changed systems; and

8. 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 communicate federal award

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

information at the time of the award of federal funds to the subrecipient and at the time of disbursement of funds to the subrecipient.

Condition:

The Department of Health and Human Services (the Department) uses sub-recipients to perform programmatic portions of the Immunization program, such as contracting for public health nurse coordinators (PHNCs) and contractors with six public health networks (PHNs) for the purposes of school-based influenza vaccine clinics.

During our review, we noted controls, policies and procedures over subrecipient monitoring need to be formally documented. Further, there appeared to be a lack of established processes over evaluating the subrecipient's risk of noncompliance, and programmatic risk of noncompliance is not formally evaluated.

Request for reimbursement is provided to the Department from the subrecipient through a budget-expenditure template, which includes expenditures such as personnel, supplies, building and consultants. The Department's main control over these amounts is a comparison of the expenditure being requested for reimbursement to the remaining available funds per the local agencies contract. We did not see evidence through financial monitoring, that procedures were performed and controls in place to ensure the expenditures charged to the Department are spent on the contract's objectives.

Federal regulations require internal controls be established and maintained, and the activities of a subrecipient monitored through programmatic and financial reviews as necessary to ensure the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals. The process to monitor the Public Health Networks could be formalized and improved. Specifically, school based clinics attended by the Department were not formalized nor were the results of the visit including follow up of any issues identified.

At the time of the subaward, the Department did not make the 2 subrecipients tested aware of all of the award information required by 2 CFR section 200.331 (a) specifically not including federal award date, and name of federal awarding agency. Further, payments to subrecipients did not include the required terms such as CFDA#, award name and federal awarding agency, at the time payment is made.

Cause:

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

Effect:

Noncompliance with the Subrecipient Monitoring Federal regulations may result in subrecipients not complying with terms and conditions of the subaward and achieve performance goals.

Questioned Costs:

Not Determinable

Whether Sampling Was Statistically Valid:

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Repeat Finding:

No

Recommendation:

The Department should ensure its policies and procedures for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient and formalized to meet the federal requirements. Specifically, each subrecipient's risk of noncompliance for purposes of determining the appropriate monitoring related to the subaward needs to be formally documented. We further recommend monitoring of the PHNs needs to be formalized to validate monitoring occurred and document results to allow for formal follow through of any issues identified.

The Department should ensure appropriate financial monitoring of the subrecipients occurs periodically to ensure expenditures requested for reimbursement are accurate, and properly support contract objectives.

Views of Responsible Officials

#1 The Department concurs and in response the Department has commenced a comprehensive training program regarding compliance with Uniform Guidance. Topics in the first phase of training include but are not limited to the following: Sub-Recipient Determination, Pre-Selection Financial Risk Assessment, *Comprehensive Risk Assessment Tool*, Sub-Recipient Monitoring Options as identified by the Risk Assessment Tool, Federal Funding Accountability Transparency Act informational requirements pertaining to subawards.

#2 The Department concurs. The Department asserts that the monitoring activities employed for the Manchester Health Department, the contractor for the public health nurse coordinators, were adequate to meet the risk-based requirements of 2 CFR 200.331(d) as they included:

- Holding quarterly meetings with vendors;
- Reviewing the PEAR database on a monthly basis to assure site visit reviewer compliance with VFC site visit processes;
- Conducting provider site visits per the Center for Disease Control and Prevention (CDC) guidelines and written DHHS procedures;
- Maintaining written corrective action plan procedures for vendor non-compliance;
- Reviewing and analyzing billing invoices; and
- Maintaining regular and ongoing communication relative to program performance and purchasing large items.

However, the Department recognizes the need to formalize monitoring activities for the Public Health Networks as well, and is currently engaged in policy revision and training in this regard.

#3 The Department concurs and in response the Department has commenced a problem resolution effort designed at properly documenting payments as required by 2 CFR § 200.331(xi) as it relates to disbursements of Federal Awards.

Anticipated Completion Dates:

Risk Assessment Policy and Procedure – Completed February 2018.

Contract Monitoring Policy and Procedure – Target date of November 2018.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Disbursement documentation – Target Date of October 1, 2018

Contact Persons:

Colleen Haggerty, Supervisor VII

Nathan White, Grants Manager

PJ Nadeau, Administrator III

Status as of March 2019:

Partially resolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-013.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***2017-026***
NH Department of Health and Human Services

CFDA #93.268 Immunization

Grant Year and Award:

01/01/2013- 12/31/2017 NH23IP000757-04-00
01/01/2013-12/31/2017 NH23IP000757-04-02
01/01/2013-12/31/2017 NH23IP000757-04-04

Finding: A Form 170 used to transfer an employee within Health and Human Services does not appear to have been processed timely or monitored

Criteria:

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 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. When employees terminate from Health and Human Services, or transfer within the Department, a Form 170, DHHS-Human Resource Change Form is completed to appropriately and timely transfer the employee's payroll and benefit costs to the correct appropriation code, including job number. The form is signed by an appointing authority and the department's financial manager. This form is then sent to DHHS- Human Resources for processing.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

During our audit over the reporting compliance requirement, we determined the Form 170 for a certain employee who worked in Immunization for approximately 5 months, never got processed. The employee's time was continually charged to the program she transferred from. The Form 170 not being processed was only identified when the employee transferred out of the department 5 months later.

The financial manager made appropriate adjustments to the required reporting, when identified. However, we noted there is a lack of controls over the Form 170 process, as there aren't any checks and balances to ensure that Form 170's submitted are processed correctly and timely within the Immunization program. Further, there appears to be a weakness in controls at DHHS- Human Resources over ensuring all Form 170's are processed timely.

Cause:

The cause of the condition found is primarily due to the lack of controls over Form 170's at the program and human resource department level.

Effect:

The potential effect of the condition found could result in payroll costs being charged to the incorrect Federal program and not being detected.

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 Form 170 procedures to ensure Form 170's are processed timely and accurately. This will help to ensure payroll costs are supported and charged to the correct federal program.

Views of Responsible Officials:

The Department concurs with the finding. The Form 170 was not properly processed as key financial information was omitted.

As recommended the Department has developed the following procedure to strengthen controls of the position transfer process:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Position Transfer

Background:
Periodically the Department may transfer positions between selected organizations. The process flow below identifies the initiator typically the receiving organization, Human Resources (HR) the processing organization, and finally the sending organization from which the position is transferred out of.

Position Transfer Process:

1) *Initiator/Receiving organization completes the Form 170 and forwards to HR for processing and notifies the Sending organization of this action.*

2) *HR will determine if the submitted Form 170 is adequately filled out and authorized. If for any reason the document cannot be processed by HR it will be returned for correction and resubmission.*

3) *If HR determines that the submitted Form 170 is properly completed and authorized, it is then processed. Processing should be completed before the effective date of the transfer. At least two (2) weeks entry time for HR is recommended.*

4) *In the event that processing will be delayed HR must notify both the Initiator/Receiving and Sending organizations. HR will double check that the 170 information submitted by the finance manager has been updated correctly in the system.*

Anticipated Completion Date:

July 1, 2018

Contact Persons:

PJ Nadeau, Administrator III

Mary Calise, Deputy Chief Finance Officer

Marilyn Doe, Administrator IV

Status as of March 2019:

Partially resolved. The procedures implemented did not include a process for the Department to validate human resources made prescribed changes.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of the Interior ***2017-027***
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; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

Finding: Internal controls and compliance over the subrecipient monitoring requirements should be improved

Criteria:

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. This requirement includes maintaining a system of internal controls over the sub-recipient monitoring requirements of federal programs.

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

- 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 either 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.

- For 1 of 2 subrecipient contracts subject to testwork, there was no site visit. While both contracts related to the same overall entity, the project was hosted in a different college/department. Therefore, the project was subject to a different control environment and handled by different personnel from the monitored project.

- 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

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

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

Repeat Finding:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Yes 2016-038

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 preform elements of sub-recipient monitoring and along with routine review of invoices and required performance reports maintains close project involvement throughout the performance of sub-awards to ensure program objectives are met. We continue to work to better document monitoring, but concur that overall monitoring controls and documentation must still be improved to fully comply with 2 CFR 200. We will finish written procedures for improved processes to include a formal risk assessment of subrecipients, as well as better tracking and documentation of contracts and required monitoring elements. The sub-recipient monitoring procedures will be formalized in a completed grants policy and procedures manual.

Contact Person:

Randy Curtis, Federal Aid Administrator

Anticipated Completion Date:

June 30, 2018

Status as of March 2019:

Partially resolved. The Department is continuing to improve its sub-recipient monitoring. The Department has researched and developed several documents to aid in sub-recipient monitoring but are still working on completing a final policy. The anticipated completion date is June 30, 2019.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of the Interior ***2017-028***
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; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 2016-039

Recommendation:

We recommend that the Department implement the New Hampshire First grants module, part of the State's accounting system of record to better track Federal expenditures.

Views of Responsible Officials:

As per our response to this finding in the prior audit, we did meet with DAS prior to June 30, 2017. We continue to have ongoing discussions regarding both of our desires to move forward with the implementation of the NH First Grants module. This will be an ongoing process, taking 1-2 years to fully implement.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

June 30, 2019

Status as of March 2019:

Partially resolved. The Department is continuing to work in conjunction with DAS to implement the NHFIRST grants module. This will be an ongoing process initially estimated to require 1-2 years for completion, however lack of personnel resources on both sides has resulted in progress being slower than anticipated.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of the Interior ***2017-029***
NH Department of Fish and Game
NH Department of Administrative Services

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; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

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:

Equipment Inventory

During our testwork, we noted there were inventory count sheets not completed during the annual inventory count. Additionally, it was noted the Fish and Game Department (the 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 nine selections out of twenty-six, the item was not counted along with the other items at the related location. For 12 out of 26 discrepancies or items not counted in the inventory selected for testwork, there was no documentation of appropriate follow up action at the time of the inventory or prior to our audit. For another test, it was observed for two selections out of twenty-two, 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 or double counted.

We also noted that for seven selections out of twenty-two, 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.

Equipment Disposals

During our testwork, we noted that five out of fifteen disposed equipment selections were processed in the new surplus module of NH First. Due to system limitations, the approval of the declaration of surplus property was not maintained and available to be viewed and verified. We also noted one selection was listed in the surplus module as "rejection"; however, there was no indication in the comment box as to why the item would have been rejected by the system and no documentation of follow up on the rejection of this surplus item. While this issue did not lead to questioned costs, it does point to control deficiencies over inventory management.

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.

The Department's controls need to be strengthened to ensure that equipment has gone through the entire surplus process and was accepted in the NH First surplus module as intended.

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.

Management review controls over the approval and acceptance of surplus inventory items are not in place.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

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

Repeat Finding:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Equipment Inventory Yes 2016-040

Equipment Disposals No

Recommendation:

We recommend 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 the Department take steps to ensure all equipment is adequately safeguarded and maintained, allowing for the proper maintenance of primary identifiers affixed to equipment.

We recommend the Department institute effective controls over the surplus process, such that a reconciliation be performed between the Department's disposed equipment and the NHFirst surplus system.

Views of Responsible Officials:

NH Department of Fish and Game

Based on the last two prior audits, the department has made tremendous improvements to our inventory controls. We have instituted a column in our inventory count sheets to indicate the current condition of the item of equipment. We have also 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. However, it is impossible to conduct the department's entire inventory count in one day, this fact will never change.

As far as the surplus process, this is a new procedure instituted by DAS and is all electronic. We will work with our current staff and DAS to determine if in fact there are available reports to conduct a monthly reconciliation of surplus items.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

June 30, 2018

Views of Responsible Officials:

NH Department of Administrative Services

The Department of Administrative Services (DAS) concurs. The DAS will collaborate with the Department of Fish and Game to develop and provide the necessary reporting to enable the Department of Fish and Game to reconcile surplus equipment to NH First.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Contact Person:

Steve Giovinelli; Federal Grants and Cost Allocation Administrator

Anticipated Completion Date:

September 30, 2018

Status as of March 2019:

Partially resolved. The Department has implemented the 'floor to sheet' process. The Department has encountered some challenges with the NHFIRST Surplus procedures which remain unresolved as they have not contacted DAS to seek resolution as of this point. The Department has therefore not thus far been successful in achieving a process flow utilizing reports in the NHFIRST surplus module to determine if in fact items processed on our end actually are received electronically at NH State surplus. To compensate, there is however, very good communication between the Business Office and Surplus ensuring items approved for surplus by the POA are received.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of the Interior ***2017-030***
N.H. Department of Fish and Game

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration and Basic Hunter Education

Grant Year and Award:

10/1/2012 – 9/30/2017 F13AF00169; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

Finding: Inadequate controls over suspension and debarment requirements

Criteria:

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

Condition:

During our testwork, we noted for two out of three selections tested, contracts did not contain a signed Suspension and Debarment Certification, meaning all reviewing departments that signed off on the contract (Fish & Game, Administrative Services and Governor & Council (G&C)) failed to notice the missing signed Certification. Audit testing revealed that the contractor was not suspended or debarred.

Cause:

Control weakness over ensuring Suspension & Debarment Certification was in place prior to authorizing the contract.

Effect:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Ineffective controls over Procurement, Suspension and Debarment requirements that led to noncompliance.

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 strengthen controls over ensuring a signed vendor Suspension & Debarment Certification is in place prior to authorizing a contract.

Views of Responsible Officials:

We concur with the finding. The Department is revising its contract routing checklist and will include measures to ensure that all federally supported contracts that equal or exceed $25,000 contain a provision for compliance with 2 CFR section 180 as well as a specific certification clause to which vendors attest by entering and signing a contract.

Contact Person:

Randy Curtis, Federal Aid Administrator

Anticipated Completion Date:

June 30, 2018

Status as of March 2019:

Partially resolved. The Department has revised its contract routing form to include steps to determine proper investigation of suspension and debarment of prospective contractors. The revised form is currently being reviewed by management with an anticipated implementation date of March 31, 2019.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S Department of Education ***2017-038***
N.H. Department of Education

CFDA #84.126 Vocational Rehabilitation

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042
10/1/2016-9/30/2017 H126A170042

Finding: Control Weaknesses Over and Noncompliance with Documentation of Personnel Expenses

Criteria:

States must ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The records must also support the distribution of an employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award. While budget estimates may be used for interim accounting purposes in certain circumstances, they do not qualify as the sole support for charges to Federal awards (2 CFR 200.430(i)).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

Condition:

During our testing of allowable costs associated with payroll charges, we noted that for one of our 40 sample selections the employee worked on more than one Federal award. The charges to the Vocational Rehabilitation (VR) program were based on reported time worked on the program, and supported only by a semi-annual signed interdepartmental communication memo and tracking spreadsheet. However, we found this control to be insufficient as the memo and summarized tracking spreadsheet are reviewed only semi-annually versus each pay period to ensure an accurate allocation of hours at the time of timekeeping resulting in noncompliance with the federal standards for documentation of personnel expenses.

Cause:

Weaknesses in internal control in providing reasonable assurance that the time charged to the program is accurate, allowable, and properly allocated.

Effect:

Inadequate review of allocated time among more than one Federal award increases the risk of noncompliance with 2 CFR 200.430(i) standards for documentation of personnel expenses.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Questioned Costs:

$44,004

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 management enhance its current policies and procedures to include a timelier and detailed review of the hours worked and charged to the VR program.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

The current semi-annual review of the signed interdepartmental communication memo and tracking spreadsheet will be changed to a monthly frequency. This improvement in internal control over documentation of personnel expenses will provide reasonable assurance that the time charged to each program is accurate, allowable and properly allocated. NHDOE will develop a written policy outlining the monthly review process to be distributed to appropriate employees.

Anticipated Completion Date:

July 1, 2018

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Lisa Hinson-Hatz
Department of Education
Vocational Rehabilitation State Director

Status as of March 2019:

Partially resolved. Due to recent restructuring within the New Hampshire Department of Education (NHDOE), the Bureau of Vocational Rehabilitation (BVR) does not have any employees working on multiple cost-objectives that include Federal programs that would require the completion of time and effort tracking for each pay period. However, newly revised Employee Time and Effort Reporting – Bureau of

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Vocational Rehabilitation procedures outline employee duties should they work on multiple cost-objectives in the future.

Employees within the NHDOE Office of Business Management (OBM) also charge time to Federal programs (including BVR) in completing their financial support efforts. OBM staff is preparing an OBM specific employee time and effort procedure to properly track their work on and charges to Federal grants. It is anticipated this procedure will be completed in the near future.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Education ***2017-042***
N.H. Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies (LEA)

Grant Year and Award:
07/01/2015-9/30/2016 S010A150029
07/01/2016-9/30/2017 S010A160029

Finding: Lack of policy to ensure LEA's implement Assessment System Security measures

Criteria:

States, in consultation with LEAs, are required to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards. Within their assessment system, SEAs must have policies and procedures to maintain test security and ensure that LEAs implement those policies and procedures (Section 1111(b)(3)(C)(iii) of the ESEA (20 USC 6311(b)(3)(C)(iii))).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

Condition:

The State of New Hampshire Department of Education (NHDOE) has policies in place to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards however, the NHDOE does not have policies in place to ensure that the LEAs implement those test security measures. During our audit, we reviewed and noted the following:

- The NHDOE offers a training to LEA principal and school district leaders through an online webinar, however attendance is not tracked to determine the risk of noncompliance as a result of LEAs not attending recent training sessions.
- There were no monitoring on-site visits, or follow-ups, to ensure policies were being properly executed by the LEAs.
- Assurance forms were provided to LEAs to sign, confirming they conformed to the NHDOE's test security measures, however, these forms were not reviewed or retained by the NHDOE.

Cause:

This appears to be the result of a lack of formal procedures to monitor, review and track LEA compliance with the NHDOE's assessment system security policies and procedures.

Effect:

Unable to ensure that LEAs implemented the NHDOE's policies and procedures over test security.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 NHDOE enhance its policies and procedures to include proper controls over tracking, review and follow-up, and retention of each LEA's compliance with the NHDOE's policies over test security.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

To ensure that assessment system test security policies and procedures are being implemented at the local level, beginning with the 2017-2018 school year, the New Hampshire Department of Education (NHDOE) is requiring all local school principals and local district test coordinators to complete and return to the NHDOE the New Hampshire Statewide Assessment System Test Security Assurances. Receipt of the Assurances will be logged, tracked and stored by the NHDOE Assessment Bureau.

Beginning in the 2018-2019 school year the NHDOE plans to require an on-demand test security webinar to be completed by local school principals and local district test coordinators, and that assurances to be submitted electronically through a third-party vendor, before districts are able to assign student assessments. Evidence of the completion of the webinar and the submittal of the assurances will be logged and stored electronically by the third party vendor and be made available to NHDOE. Policies and procedures relative to these planned processes are currently being developed by the Assessment Bureau staff.

Lastly, the NHDOE will conduct unannounced visits to schools on their scheduled days for State-wide Assessment System (SAS) testing. Districts are required to submit their testing schedules with their NH SAS Security Assurances plan so this will allow NHDOE to efficiently plan to visit as many sites across the state as possible during the testing window.

Although several written policies and procedures for the activities described above are currently in place, some of the documents need to be updated to reflect the role of the third party vendor. These updates will be completed by NHDOE Assessment Bureau staff.

Anticipated Completion Date:

July 1, 2019

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Julie Couch
Department of Education
Administrator of State Assessments

Status as of March 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-026.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Education ***2017-043***
N.H. Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.027; 84.173 Special Education Cluster
CFDA #84.367 Improving Teacher Quality

Grant Year and Award: Various

Finding: Internal controls and compliance over the subrecipient monitoring requirements should be improved.

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.

States must expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. States must have written procedures for determining cost allowability and must have effective control over all funds.
Uniform Guidance 2 C.F.R. 200.302.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

Based on our testwork, it was noted there were no controls over evaluating the subrecipient's risk of non-compliance, and the New Hampshire Department of Education (NHDOE) did not perform a formal evaluation of 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 to be performed.

Additionally, 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, during the course of our testwork NHDOE confirmed that it relies primarily on the budget review phase of the subaward application process to ensure that subrecipients do not make unallowable expenditures. NHDOE staff verified that, aside from reviewing any proposed budget amendments during the grant period, NHDOE does not have an established post-award process to identify potential unallowable subrecipient expenditures.

Further, while the NHDOE has policies in place over subrecipient audit requirements, we noted the below during our testwork:

Title I, Special Education Cluster and Improving Teacher Quality:

- The NHDOE does not have a standard process for ensuring subrecipients have fully implemented planned or required corrective actions;
- The NHDOE did not maintain a Uniform Guidance single audit report for two subrecipient samples out of a sample of 12 tested, and as a result, does not have documentation that a review was performed or of any necessary follow-up on any potential findings.

Title I:

- A checklist or other documentation, validating during the award monitoring procedures performed and whether requirements were met did not exist for two subrecipient samples out of a sample of 9 tested.

Cause:

The Department's lack of awareness of and compliance with all of the subrecipient monitoring requirements included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring federal regulations.

Questioned Costs:

Not determinable

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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. The Department then needs to design and implement controls 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; and improving during the award financial and programmatic monitoring, including performing site visits, in accordance with the Department's procedures.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

This finding is consistent with the finding of the USDOE in August 2017. In response to that finding, a Federal Compliance Administrator (FCA) position was created and a person hired on January 5, 2018 within NHDOE to address this deficiency. The FCA is currently developing both a subrecipient risk assessment program and a related subrecipient fiscal monitoring program. Once the risk assessment and fiscal monitoring programs are implemented, the need for additional resources to meet the requirements of the Uniform Guidance will be evaluated.

The FCA is reviewing and documenting each existing function undertaken by the staff currently responsible for subrecipient monitoring. These functions include single audit tracking and review, subrecipient general assurances, and corrective action follow-up among others. The intent of this review is to identify areas of inherent weakness and strengthen and enhance these areas where necessary to better meet the requirements of the Uniform Guidance.

The FCA will also work directly with the all federal programs that have to assist them in developing internal controls and implementing a monitoring program to assure that the subrecipient complies with the terms and conditions of the subaward and achieves performance goals (program level monitoring).

The NHDOE's auditing program will monitor the activities of the subrecipient; will ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. The NHDOE's monitoring of the subrecipients will include:

(1) Reviewing financial and performance reports required by the pass-through entity.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Subrecipients with audit findings, management comments and/or internal control recommendations pertaining to the Federal award provided to the subrecipient from the pass-through entity shall be determined deficient by the NHDOE. The NHDOE determination of deficient status will include at least one of the following: **(a)** Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance; **(b)** Wholly or partly suspend or terminate the Federal award; **(c)** Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency); **(d)** Withhold further Federal awards for the project or program; and/or **(e)** Take other remedies that may be legally available.

Anticipated Completion Date:

January 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Status as of March 2019:

Unresolved for CFDA 84.010 and 84.367. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-024.

Resolved for CFDA 84.027 and 84.173.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Agriculture ***2017-044***
N.H. Department of Administrative Services

CFDA# 10.553 School Breakfast Program (SBP)
CFDA# 10.555 National School Lunch Program (NSLP)
CFDA# 10.556 Special Milk Program for Children (SMP)
CFDA# 10.559 Summer Food Service Program for Children (SFSP)

Grant Year and Award:
10/01/2015-9/30/2016 Various
10/01/2016-9/30/2017 Various

Finding: Accountability for USDA-Donated Foods

Criteria:

Maintenance of Records

Distributing and sub-distributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods including end products processed from donated foods. Failure to maintain records required by 7 CFR section 250.16 shall be considered *prima facie* evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind (7 CFR sections 250.16(a)(6) and 250.15(c)).

Physical Inventory

Distributing and sub-distributing agencies shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency (7 CFR section 250.14(e)).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards 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.

Condition:

The system utilized for inventory record retention overwrites daily, thus creating a documentation issue when trying to reconcile inventory. In addition the department failed to properly document any and all adjustments that were made to inventory at the year-end inventory count and throughout the year.

During our audit, we noted the department failed to keep proper records indicating quantity held before the count was initialed and after the count was performed. The auditor could not reconcile to ending inventory post count. Lastly, the audit team was not provided with any documentation over adjustments made to the system.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Cause:

This appears to be the result of a lack of a formal procedures for review and approval of inventory adjustments and overall inadequate tracking of inventory.

Effect:

Unable to reconcile physical inventory with inventory records.

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 State should enhance its policies and procedures to include the review of inventory adjustments and to ensure inventory is properly recorded and documented when the count is executed.

Views of Responsible Officials:

We concur. Completing physical inventory requires zero movement in regards to the product in the warehouse as well as the production of orders, pick sheets, uploads etc. within the NH First system. It is advantageous to not complete a cycle count during the middle of a distribution period, as there are products in transit as well as picks that have already been stacked on pallets for upcoming deliveries. This does present a challenge as it means that all production must come to a complete stop for the duration of inventory. Accordingly, the Department has drafted multiple policy documents to improve inventory accuracy and increase control and accountability. These policy documents include;

- Preparing for Inventory
- Physical Inventory Procedure
- Damaged Inventory Adjustment Report
- Inventory Adjustment Form

It is Surplus Distributions' goal to conduct cycle counts during the recipient agencies (schools) vacation time frames as well as during the summer at which time the effectiveness of the improved policies and procedures will be evaluated.

Anticipated Completion Date:

September 30, 2018

Contact Person:

Steve Giovinelli
Department of Administrative Services
Federal Grants and Cost Allocation Administrator

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Katie Daley
Federal Surplus Manager

Status as of March 2019:

Partially resolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-034.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***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.

Effect:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

Anticipated Completion Date:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

Contact Person:

Tashia Blanchard, Administrator, Bureau of Improvement and Integrity

Status as of March 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-002.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

the required information, and establishing procedures to ensure the subrecipients timely spend federal funds passed-through to them.

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

Status as of March 2019:

Partially resolved. The corrective action plan is in the process of being implemented. Currently, programmatic risk assessments are being accomplished for all brand new procurements using a newly developed "Risk Assessment Tool"

Pre-award financial risk assessments are being communicated to both the program as well as the contract specialist for all brand new procurements.

Financial monitoring is being phased in and is not yet completed. The Department is currently developing and will be rolling out to all DHHS staff involved in contract management, a Contract Management 101 training beginning in the fall of 2019. Combined with the subrecipient training module and tools, staff will be trained and introduced to contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by more specialized trainings and supporting tools and procedures for expenditure testing, site visits, files reviews, and corrective action planning. The anticipated completion date is 12/31/2019.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

Status as of March 2019:

Partially resolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-010.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

- 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.

Anticipated Completion Date:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

September 30, 2017

Contact Person:

Mary Calise, Senior Finance Director

Status as of March 2019:

Partially resolved. In July 2018, the Department sent notifications to all vendors that received $750,000 or more of applicable federal funds during fiscal year 2018.

The Department's Contract and Procurement Unit (CU) has implemented a process to ensure subrecipients are identified in every contract. The CU hired an attorney in the Spring of 2018 who is conducting a thorough review of the Department's contract templates and will be working to incorporate all of the required elements of 2 CFR 200.331(a)(1).

The Department is currently developing and will be rolling out to all DHHS staff involved in contract management, a Contract Management 101 training this coming fall. Combined with the subrecipient training module and tools, staff will receive training and be introduced to contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements.

The Department has initiated a two (2) pronged approach to include the proper information on subawards as required by 2 CFR 200.331 that will be phased in for new procurements and subsequent amendments. 1) Include the necessary information as per 2 CFR 200.331 on the subaward document, and 2) Provide an invoice template to subrecipients with updated Federal Award Information that upon submission for payment indicates the respective award and amount.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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."

Status as of March 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-015.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

Status as of March 2019:

Partially resolved:

1. The Department has implemented a sub-recipient monitoring policy effective 6/1/18. The Department developed procedures to formalize the risk assessment for all sub-recipients and trained program and finance staff on those procedures in SFY 2018. The formal risk analysis for these contracts was not completed until March 2019. The Department anticipates full compliance at the issuance of the next contract. These processes will create a control to evaluate risk of noncompliance.
2. We currently have monitoring of sub-recipient activity. In SFY 2018, sub recipient activities were monitored in accordance with federal requirements. Federal requirements state the Department

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

should monitor based on risk. While not formally documented within the new risk assessment, the sub recipients had been determined to be low risk and were monitored accordingly.

During this period Public Health Networks (PHNs) were monitored in a variety of ways. Financially, they are monitored through a budget approval process whereby the Department receives an individual, monthly invoice workbook (which the PH Network Coordinator completes and submits) and each Program approves their specific area, so for example, the Immunization Program Project Lead would look at the expenditures in the workbook that are specific to the school-based vaccination clinics and approve/reject.

Programmatically the PHNs complete three annual trainings (vaccine storage and handling, vaccine ordering and clinical vaccine training), submit temperature logs to ensure vaccine is kept viable, and undergo an annual site visit. Additionally, planning meetings as well as annual debrief meetings are held focusing on quality improvement of services provided. PHNs are periodically reviewed financially by the Bureau of Improvement and Integrity.

Starting in the 2018/2019 influenza season, prior to this finding, a formalized review process was initiated for site visits. Additionally, started in the 2018/2019 Influenza season, an annual audit of one month of primary receipts is conducted by the Immunization Program Project Lead. Monitoring procedures are in the process of being formally documented.

3. The Federal Clearinghouse is checked on a continuous basis as BII is required to perform a review of all providers that have DHHS contracts and are required have single audit performed.
4. We are in the process devising a process to have all of the required information included on the payments made to the sub-recipients.
5. Payments made are based on actual invoices already paid by the sub-recipients.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

Effect:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

Status as of March 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-016.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Effect:

Noncompliance with the Equipment Management federal requirements and State policy.

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

Status as of March 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-017.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

maintaining a system of internal controls over the sub-recipient monitoring requirements of federal programs.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

Status as of March 2019:

Partially resolved. The Department is continuing to improve its sub-recipient monitoring. The Department has researched and developed several documents to aid in sub-recipient monitoring but are still working on completing a final policy. The anticipated completion date is June 30, 2019.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Department of the Interior ***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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 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

Status as of March 2019:

Partially resolved. The Department is continuing to work in conjunction with DAS to implement the NHFIRST grants module. This will be an ongoing process initially estimated to require 1-2 years for completion, however lack of personnel resources on both sides has resulted in progress being slower than anticipated.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

Department of the Interior ***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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

Status as of March 2019:

Partially resolved. The Department has implemented the 'floor to sheet' process. The Department has encountered some challenges with the NHFIRST Surplus procedures which remain unresolved as they have not contacted DAS to seek resolution as of this point. The Department has therefore not thus far been successful in achieving a process flow utilizing reports in the NHFIRST surplus module to determine if in fact items processed on our end actually are received electronically at NH State surplus. To compensate, there is however, very good communication between the Business Office and Surplus ensuring items approved for surplus by the POA are received.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services	***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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.
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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.

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 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-002.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***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 2017, 2016, AND 2015

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 2017, 2016, AND 2015

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 2019:

Partially resolved. Due to many procedural changes and reporting enhancements the revised SEFA reconciliation is still in process. It was expected that the new process would have been documented by September 30, 2018 however unanticipated challenges have delayed their documentation and implementation.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***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.

Effect:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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.
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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-016.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of Health and Human Services ***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 2017, 2016, AND 2015

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 2019:

Unresolved. A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2018-017.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of the Interior ***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."

Condition:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 2019:

Partially resolved. The Department is continuing to improve its sub-recipient monitoring. The Department has researched and developed several documents to aid in sub-recipient monitoring but are still working on completing a final policy. The anticipated completion date is June 30, 2019.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of the Interior ***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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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

Anticipated Completion Date:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

N/A

Status as of March 2019:

Partially resolved. The Department is continuing to work in conjunction with DAS to implement the NHFIRST grants module. This will be an ongoing process initially estimated to require 1-2 years for completion, however lack of personnel resources on both sides has resulted in progress being slower than anticipated.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

U.S. Department of the Interior ***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 as located at the prior location. There

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2017, 2016, AND 2015

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 2019:

Partially resolved. The Department has implemented the 'floor to sheet' process. The Department has encountered some challenges with the NHFIRST Surplus procedures which remain unresolved as they have not contacted DAS to seek resolution as of this point. The Department has therefore not thus far been successful in achieving a process flow utilizing reports in the NHFIRST surplus module to determine if in fact items processed on our end actually are received electronically at NH State surplus. To compensate, there is however, very good communication between the Business Office and Surplus ensuring items approved for surplus by the POA are received.

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
2200	Business and Economic Affairs, Department of
2300	Safety, Department of
2400	Insurance Department
2700	Employment Security, Department of
3200	Secretary of State
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
2200	Business and Economic Affairs, Department of
4600	Corrections, 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)
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