STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2020

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE
SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2020

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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
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LETTER OF TRANSMITTAL

To The Fiscal Committee Of The General Court:

We hereby submit the annual Single Audit Report of the State of New Hampshire for the year ended June 30, 2020. 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)
- Auditors' 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, 2019, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department of Administrative Services

June 4, 2021

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, 2020

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 2020 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 $11,308,556. 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 2020, 14 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2020, the State administered approximately 290 federal programs, with total federal expenditures of approximately $3.77 billion. Of those programs, Type A programs/clusters accounted for 93% of total federal expenditures, with the Medicaid program cluster and the Unemployment Insurance program accounting for 35% and 27% respectively, 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, 2020

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	2020 EXPENDITURES
Adjutant General	12.400	Military Construction, National Guard	12,532,964	
	12.401	National Guard Military Operations And Maintenance (O&M) Projects	21,309,161	33,842,125
		Other Programs		515,153
		Total Adjutant General		34,357,278
Administrative Services	Various	Child Nutrition Cluster	5,279,435	5,279,435
		Other Programs		2,113,649
		Total Administrative Services		7,393,084
Agriculture		Other Programs		668,451
Business and Economic Affairs		Other Programs		7,820,920
Commission on Disability		Other Programs		113,269
Corrections		Other Programs		18,063
Developmental Disabilities Council		Other Programs		633,991
Education	Various	Child Nutrition Cluster	27,728,395	
	Various	Special Education Cluster	52,305,421	
	84.010	Title I Grants To Local Educational Agencies	40,994,595	121,028,411
		Other Programs		60,593,582
		Total Education		181,621,993
Employment Security	17.225	Unemployment Insurance	1,018,724,943	
	93.563	Child Support Enforcement	3,955	1,018,728,898
		Other Programs		5,387,792
		Total Employment Security		1,024,116,690
Environmental Services	66.458	Clean Water State Revolving Fund Cluster	13,615,981	13,615,981
		Other Programs		23,681,147
		Total Environmental Services		37,297,128
Fish & Game		Other Programs		7,546,783
Governor's Office of Economic Relief and Recovery	21.019	Coronavirus Relief Fund	461,609,000	461,609,000
		Total Governor's Office of Economic Relief and Recovery		461,609,000

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	2020 EXPENDITURES
Health & Human Services	Various	SNAP Cluster	122,900,935	
	Various	Child Care and Development Cluster	26,863,476	
	Various	Medicaid Cluster	1,318,613,416	
	93.268	Immunization Cooperative Agreements	28,384,023	
	93.558	TANF	38,080,886	
	93.563	Child Support Enforcement	10,495,929	
	93.658	Foster Care - Title IV-E	21,236,650	
	93.788	Opiod STR	20,822,453	1,587,397,768
		Other Programs		98,683,042
		Total Health & Human Services		1,686,080,810
Human Rights Commission		Other Programs		162,370
Insurance		Other Programs		78,226
Judicial Branch	93.563	Child Support Enforcement		809,202
		Other Programs		424,787
		Total Judicial Branch		1,233,989
Justice	Various	Medicaid Cluster	864,583	864,583
		Other Programs		14,228,922
		Total Justice		15,093,505
Natural and Cultural Resources	Various	Highway Planning And Construction Cluster	1,085,206	1,085,206
		Other Programs		3,187,213
				4,272,419
Professional Licensure and Certification		Other Programs		48,904
Public Utilities Commission		Other Programs		710,898
Safety		Other Programs		21,264,418
				21,264,418
Secretary of State		Other Programs		1,051,987
Strategic Initiatives	93.568	Low-Income Home Energy Assistance	27,444,325	27,444,325
		Other Programs		2,329,525
		Total Strategic Initiatives		29,773,850
Transportation	Various	Highway Planning And Construction Cluster	184,604,124	
	20.223	TIFIA	33,776,015	218,380,139
		Other Programs		18,814,744
		Total Transportation		237,194,883
Veterans Home		Other Programs		9,355,860
				9,355,860
		TOTAL EXPENDITURES	**3,489,275,871**	**3,769,518,769**

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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, 2020, 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 7.3% and 52.6%, respectively, of the assets and revenues of the business-type activities. Additionally, we did not audit the financial statements 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 98.3% and 72.5%, 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, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, other supplementary information within the financial section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information within the financial section 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. Such 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the other supplementary information within the financial section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2020 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, Massachusetts
December 22, 2020

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, 2020. 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, 2020 by $1.7 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, ($3.0) 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 $162.8 million, or 8.7%, in fiscal year 2020 from $1,878.2 million to $1,715.4 million, as shown in the Comparative Changes in Net Position table within this report. Also reflected in this table, the State's net position of governmental activities increased by $21.9 million (7.8%), from $282.1 million to $304.0 million in fiscal year 2020. Net position of the business-type activities showed a decrease of ($184.7) million (11.6%) related to fiscal year 2020 activity, from $1,596.0 million to $1,411.3 million. Total change in expenses for the period were $1,921.8 million, or 27.8% higher than fiscal year 2019 and total change in revenues were approximately $1,172.6 million or 15.6% higher than fiscal year 2019. The significant change in expense and revenues was primarily driven by activity in the Unemployment Compensation Fund, due to unprecedented levels of unemployment as a result of the COVID-19 global pandemic. This will be discussed in detail within the Business-Type Activities section of this analysis.

Non-Current Liabilities: The State's total non-current liabilities decreased by $93.3 million or 2.1% during the current fiscal year, and is largely due to the decrease of $107.7 million in the State's aggregate total OPEB liability as of June 30, 2020 to $1,793.3 million as compared to $1,901.0 million as of June 30, 2019, offset by a slight increase of $10.4 million in the State's aggregate net pension liability as of June 30, 2020 to $941.4 million as compared to $931.0 million as of June 30, 2019. Reported non-current debt, including bonds and notes, decreased a net of $3.7 million or 0.3%, as a result of payments on outstanding debt, offset by the issuance of an additional $33.8 million of notes payable during fiscal year 2020 related to the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA), as described in Footnote 5 of the Notes to the Basic Financial Statements. In addition, the State issued $80.2 million in new bonds during fiscal year 2020, as described in the Debt Administration section of this analysis.

Fund Highlights:

Governmental funds - Fund Balances: As of the close of fiscal year 2020, the State's governmental funds reported a combined balance of all funds of $1,065.8 million, a decrease of ($95.6) 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(decreased) by ($105.7) million, $6.7 million, ($16.4) million and $19.9 million, respectively. For general and education funds, the fiscal year 2020 budget contemplated the use of both current year revenues and fund balance carried forward from the prior biennium, to support current year spending. Due to the unusually high level of unrestricted revenues collected in fiscal year 2019 as a result of the impact of federal tax law changes, fiscal year 2019 closed with a large undesignated fund balance. Thus, additional planned spending was approved by the legislature for fiscal year 2020, largely representing one-time initiatives. As a result of the impact of economic disruptions related to the COVID-19 global pandemic, unrestricted general and education fund revenues came in lower than the budgeted plan amount for fiscal year 2020, thus resulting in decreased fund balance. As of June 30, 2020, $115.5 million of the unassigned fund balance represents the Revenue Stabilization balance, as compared to $115.3 million in fiscal year 2019. For the highway fund, the increase in fund balance was partially driven by a transfer of surplus from the previous general fund unassigned fund balance to the highway fund, as part of the adopted 2020-2021 biennial budget. The fund balance increase in the non-major funds was primarily driven by the timing of capital fund spending and receipt of bond issuance proceeds.

The Coronavirus Relief Fund ("CRF") is used to account for revenues and expenditures related to federal revenue received under section 601 (a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). During fiscal year 2020, the CARES Act established the Coronavirus Relief Fund and the State received an allocation of $1.25 billion. The State considers this fund to be a major governmental fund, however the fund does not carry a fund balance. All revenue is recognized as eligible expenditures are incurred, with the remaining balance classified as unearned revenue.

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 out- flows 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, Coronavirus Relief 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 118 and 119.

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.

Individual fund detail can be found in the combining financial statements in the Other Supplementary Information Section.

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.

Other Supplementary Information

Other supplementary information includes combining financial statements and schedules for governmental, internal service and fiduciary funds and non-major component units.

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 $1.7 billion as of June 30, 2020 which was ($162.8) million, or 8.7%, lower than the net position as of June 30, 2019.

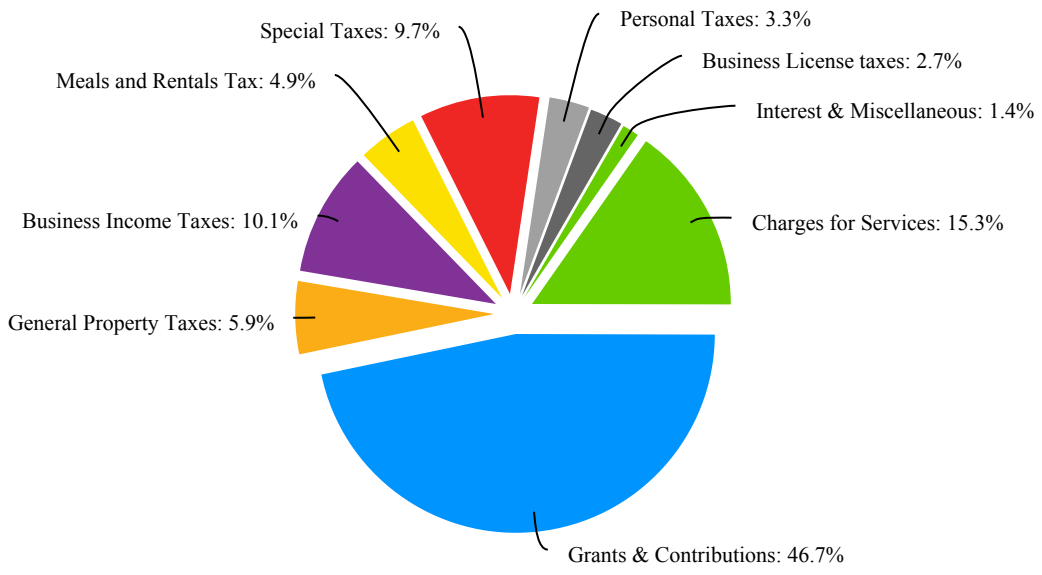
Comparative Net Position as of June 30, 2020 and 2019
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current assets	$ 1,981,806	$ 1,608,537	$ 618,482	$ 853,558	$ 2,600,288	$ 2,462,095
Capital assets	3,325,174	3,246,838	986,522	977,364	4,311,696	4,224,202
Other assets	823,193	505,927	572,359	489,401	1,395,552	995,328
Total assets	6,130,173	5,361,302	2,177,363	2,320,323	8,307,536	7,681,625
Total deferred outflows of resources	206,723	238,726	11,438	13,606	218,161	252,332
Noncurrent liabilities	3,725,984	3,784,149	486,821	521,961	4,212,805	4,306,110
Current liabilities	1,592,217	788,239	243,339	169,136	1,835,556	957,375
Total liabilities	5,318,201	4,572,388	730,160	691,097	6,048,361	5,263,485
Total deferred inflows of resources	714,679	745,491	47,295	46,768	761,974	792,259
Net position:						
Net investment in capital assets	2,442,642	2,390,742	629,432	592,072	3,072,074	2,982,814
Restricted	799,217	681,987	836,985	1,064,700	1,636,202	1,746,687
Unrestricted	(2,937,843)	(2,790,580)	(55,071)	(60,708)	(2,992,914)	(2,851,288)
Total net position	$ 304,016	$ 282,149	$ 1,411,346	$ 1,596,064	$ 1,715,362	$ 1,878,213

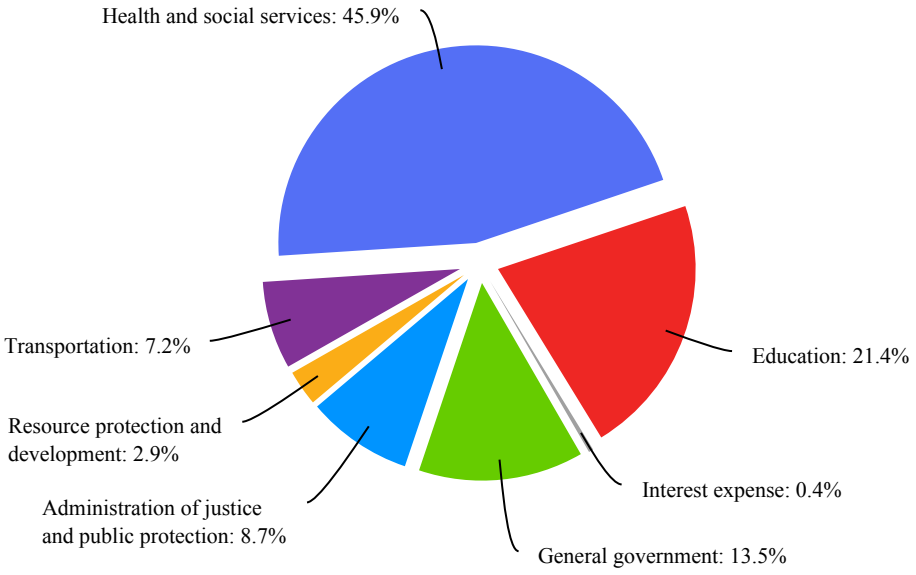
Comparative Changes in Net Position
For Fiscal Years Ended June 30, 2020 and 2019
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	$ 995,385	$ 1,001,920	$ 1,366,720	$ 1,345,432	$ 2,362,105	$ 2,347,352
Operating grants & contributions	2,823,948	2,273,606	821,443	17,436	3,645,391	2,291,042
Capital grants & contributions	208,723	201,298	5	89	208,728	201,387
General revenues:						
General property taxes	386,004	403,299			386,004	403,299
Business income taxes	654,400	886,821			654,400	886,821
Meals and rentals tax	316,114	350,190			316,114	350,190
Special taxes	633,110	562,248			633,110	562,248
Personal taxes	213,654	202,182			213,654	202,182
Business license taxes	174,691	187,806			174,691	187,806
Interest	18,213	27,440			18,213	27,440
Miscellaneous	70,444	50,494			70,444	50,494
Total revenues	6,494,686	6,147,304	2,188,168	1,362,957	8,682,854	7,510,261
Expenses						
General government	911,255	435,655			911,255	435,655
Administration of justice and public protection	583,877	507,949			583,877	507,949
Resource protection and development	197,678	168,125			197,678	168,125
Transportation	485,317	568,404			485,317	568,404
Health and social services	3,092,544	2,839,853			3,092,544	2,839,853
Education	1,443,493	1,366,996			1,443,493	1,366,996
Interest expense	27,426	33,865			27,426	33,865
Turnpike System			99,371	93,040	99,371	93,040
Liquor Commission			599,886	564,013	599,886	564,013
Lottery Commission			293,314	284,504	293,314	284,504
SRF			14,299	16,377	14,299	16,377
Unemployment Compensation Trust Fund			1,097,245	45,128	1,097,245	45,128
Total expenses	6,741,590	5,920,847	2,104,115	1,003,062	8,845,705	6,923,909
Increase/ (decrease) in net position before transfers and other items	(246,904)	226,457	84,053	359,895	(162,851)	586,352
Transfers & other items	268,771	274,011	(268,771)	(274,011)		
Increase/ (decrease) in net position	21,867	500,468	(184,718)	85,884	(162,851)	586,352
Net position - July 1	282,149	(218,319)	1,596,064	1,510,180	1,878,213	1,291,861
Net position - June 30	$ 304,016	$ 282,149	$ 1,411,346	$ 1,596,064	$ 1,715,362	$ 1,878,213

Governmental Activities - Revenue
Fiscal Year Ended June 30, 2020



Governmental Activities - Expenses
Fiscal Year Ended June 30, 2020



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 $89.3 million from prior year. This increase was primarily the result of a net increase in capital assets of $87.5 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, $1,636.2 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 decreased $110.5 million from prior year primarily due to the extensive use of unemployment compensation trust fund balances, resulting in a lower balance restricted for unemployment benefits.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $2,992.9 million which is an increased deficit of $141.6 million from the deficit of $2,851.3 million from the previous year. The two largest components of the deficit are the net pension liability of $941.4 million and the other postemployment benefit liability of $1,793.3 million. Net with the increase in assets recognized during the year, non-current liabilities decreased, which positively impacted the deficit unrestricted net position. Contributing to the increased deficit was decreased government-wide revenues, as revenues were less than expenses by $162.9 million in 2020, as compared to revenues exceeding expenses by $586.3 million in 2019.

Changes in Net Position

The State's total net position increased by $162.8 million, or 8.7%, from current fiscal year activities. Total revenues were $8,682.9 million, an increase of $1,172.6 million (15.6%) as compared to the prior year, and total reported expenses were $ 8,845.7 million, an increase of $1,921.8 million (27.8%) as compared to the prior year. Both the increase in revenues and the increase in expenditures were primarily a result of the significantly higher activity in the unemployment compensation trust fund as well as increases in federal funding for several programs, in part to assist in responding to the COVID-19 global pandemic.

More than half of the State's revenue (71.6%) is from program revenue, consisting of charges for services, and federal and local grants. This includes significant federal funding towards payments of unemployment benefits and coronavirus relief fund payments. 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 $1,376.4 million and general revenues decreased $203.8 million as compared to prior year. Program revenues were higher in fiscal year 2020 mainly as a result of additional federal funding as previously discussed. General revenues were lower in fiscal year 2020 directly attributable to the economic disruption caused by the COVID-19 global pandemic, resulting in business and other taxes coming in significantly lower 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 45.9% and 21.3% 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, 2020 Compared to 2019
($ In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	(6.5)	(0.7)%	21.3	1.6 %	14.8	0.6 %
Operating grants & contributions	550.3	24.2 %	804.0	4611.1 %	1,354.3	59.1 %
Capital grants & contributions	7.4	3.7 %	(0.1)	(94.4)%	7.3	3.6 %
General revenues:						
General Property Taxes	(17.3)	(4.3)%			(17.3)	(4.3)%
Business Income taxes	(232.4)	(26.2)%			(232.4)	(26.2)%
Meals and Rental Taxes	(34.1)	(9.7)%			(34.1)	(9.7)%
Special taxes	70.9	12.6 %			70.9	12.6 %
Personal taxes	11.5	5.7 %			11.5	5.7 %
Business License taxes	(13.1)	(7.0)%			(13.1)	(7.0)%
Interest	(9.2)	(33.6)%			(9.2)	(33.6)%
Miscellaneous	20.0	39.6 %			20.0	39.6 %
Total revenues	347.5	5.7 %	825.2	60.5 %	1,172.7	15.6 %
Expenses						
General government	475.6	109.2 %			475.6	109.2 %
Administration of justice and public protection	75.9	14.9 %			75.9	14.9 %
Resource protection and development	29.6	17.6 %			29.6	17.6 %
Transportation	(83.1)	(14.6)%			(83.1)	(14.6)%
Health and social services	252.7	8.9 %			252.7	8.9 %
Education	76.5	5.6 %			76.5	5.6 %
Interest Expense	(6.4)	(19.0)%			(6.4)	(19.0)%
Turnpike System			6.3	6.8 %	6.3	6.8 %
Liquor Commission			35.9	6.4 %	35.9	6.4 %
Lottery Commission			8.8	3.1 %	8.8	3.1 %
SRF Fund			(2.1)	(12.7)%	(2.1)	(12.7)%
Unemployment Compensation			1,052.1	2331.4 %	1,052.1	2331.4 %
Total expenses	820.8	13.9 %	1,101.0	109.8 %	1,921.8	27.8 %

Governmental Activities

Governmental activities decreased the State's net position by $246.9 million, before transfers and other items. Revenues increased by $347.4 million or 5.7% from the prior year to total $6.5 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants and other funding, increased $551.2 million or 15.8%, while taxes and other revenues decreased $203.8 million, or 7.6%. Reported expenses increased $820.7 million or 13.9%. The rise in program revenues and expense was driven largely by an increase in federal grants, with the largest increase relating to federal funding for health and social services programs, including Medicaid, National Guard programs, as well as coronavirus relief fund payments. The decrease in general revenues was directly attributable to the economic disruption caused by the COVID-19 global pandemic, resulting in business and other taxes coming in significantly lower than anticipated. The State also experiences a reduction in its OPEB liability and a corresponding reduction in OPEB expense.

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 $84.1 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, SRF Fund, Unemployment Compensation Fund, and Turnpike Fund. While the majority of business-type activities experienced similar levels of activity as in the prior year, the operations of the Unemployment Compensation fund were significantly impacted by the COVID-19 global pandemic, which resulted in an overall decrease in net position before transfers of ($236.4) million, as compared to an increase in net position of $15.3 million in the prior year. Through June 30, 2020, the State's Unemployment Compensation fund processed $1.1 billion in benefit payments, as compared to $45 million in fiscal year 2019. According to the New Hampshire Employment Security office, through November 30, 2020, the agency has administered $262 million in state benefits and $1.45 billion in total state and federal benefits, the majority of which was through federally funded supplemental assistance programs. In addition, in October 2020 the Governor authorized $50 million of CARES Act funds to be deposited into the Unemployment Compensation fund, in order to stabilize the fund going forward. With that funding and consideration of current forecasting, the State anticipates the Unemployment Compensation fund will remain solvent during calendar year 2021.

Operations of the Liquor Commission generated net income before transfers of $158.1 million, a decrease of $3.9 million (2.4%) from the prior year. Transfers from the Liquor Commission to the General Fund unrestricted revenue totaled $144.9 million for fiscal year 2020, as compared to $146.3 million in fiscal year 2019, and were used to fund the general operations of the State. Also in fiscal year 2020, $10.0 million in liquor profits were transferred to the State's Alcohol Abuse Prevention and Treatment fund, as compared to $8.4 million in the prior year. The Lottery Commission net income before transfers of $99.3 million was a decrease of $7.2 million (6.8%) as compared to the prior year net income of $106.5 million. While the Lottery Commission introduced online and retail sports betting in fiscal year 2020, this revenue was limited due to the disruptions in professional sports as a result of the COVID-19 global pandemic. The overall decrease in net income at the Lottery Commission was attributable to higher payments for prize awards as compared to the prior year. The Turnpike System generated net income before transfers of $37.0 million, which was a $22.9 million decrease from $59.8 million in the prior year, or 38.3%. This was primarily driven by a decrease in toll revenues of approximately 10% as a result of the COVID-19 global pandemic and the sharp reduction in both commuter and leisure travel. The operations of the State Revolving Fund yielded an increase in net position of $26.1 million, up from $16.2 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 decreased $95.6 million in fiscal year 2020. A deficiency of revenues under expenditures of $518.0 million was funded by $401.7 million of net transfers from Enterprise Funds and Other Financing Sources, resulting in an overall net decrease in Governmental Fund Balance.

General Fund

The general fund is the primary operating fund of the State. The total fund equity at June 30, 2020 is $846.2 million, which was a decrease of $105.7 million over the prior year balance of $951.9 million. Revenues in the general fund were $4,406.9 million, $20.5 million (0.5%) lower than the prior year, with the increase largely in special taxes, as a result of a decrease business and other tax collections and interest, offset by an increase in federal funding received during fiscal year 2020. Expenditures increased by $92.3 million (2.0%) to $4,613.6 million, which was primarily the result of the increase in Health and Social Services expenditures. Both revenue and expenditures were higher during fiscal year 2020 due to continued increases in health and social services' federally-funded programs. Despite an overall shortfall in revenues, the education trust fund did not have a deficit and did not require a transfer from the general fund in fiscal year 2020.

The June 30, 2020 general fund unassigned fund balance was comprised of an undesignated deficit balance of ($51.2) million and the Rainy Day fund amount of $115.5 million, a slight increase of $0.2 million from the prior year balance of $115.3 million. Unrestricted revenues in fiscal year 2020 were lower than the planned amount by $64.2 million, offset by spending lapses which were higher than budget by $46.0 million. Further contributing to the decreased fund balance were higher 2020 appropriations approved as part of a legislative effort to use prior year surplus funds to fund one-time initiatives, resulting in a net decrease of $243.7 million in undesignated surplus. In addition, legislation authorized a $68.1 million of prior year surplus revenues to be transferred to the Education Trust fund, as well as a transfer of $4.0 million to the Highway fund in fiscal year 2020.

Coronavirus Relief Fund

As noted, the CRF does not carry a fund balance but federal payments received are held by State Treasury and revenue is recognized as eligible expenditures are incurred, with the remaining balance classified as unearned revenue. For fiscal year 2020, initial cash basis payments have been adjusted for reclassifications and accruals, resulting in reported expenditures and revenues of $493.3 million. These expenditures represent purchases of equipment to assist the State in its initial response to the COVID-19 global pandemic, as well as grant programs to assist small businesses with the economic disruption.

Education Fund

As noted, the education trust fund did not have a deficit balance as of June 30, 2020, but ended with surplus revenues which, per statute, remain in the fund and are classified as assigned fund balance. A portion of this surplus has been designated by the legislature to be appropriated in fiscal year 2021.

Highway Fund

The highway fund ended the year with a restricted fund balance of $128.6 million and assigned fund balance of $17.9 million, up from $13.9 million in the prior year reflecting the combined surplus transfers from the General Fund. As the highway fund revenues include revenues primarily restricted by the State Constitution or the Federal Government, the fund balance as of June 30, 2020 is predominantly classified as restricted. Without the surplus transfer of $4.0 million, in total fund balance increased $2.7 million during fiscal year 2020 due to higher lapsed expenditures as compared to the budgeted amounts, offset by decreased revenue collections in part resulting from the COVID-19 global pandemic and the reduction in both commuter and leisure travel.

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 that have a legally adopted budget are in the Required Supplementary Information section beginning on page 103.

General Fund:

The net increase from the original budget of $5,375.4 million to the final budget of $6,136.2 million is $760.8 million and represents additional appropriations issued after adoption of the operating budget, primarily in the following categories of government: Health & Social Services ($494.9 million), Justice & Public Protection ($82.4 million), General Government ($63.8 million), Education ($58.7 million) and Resource Protection and Development ($39.9 million). The budget increase is due largely to appropriations for federal programs not part of the adopted operating budget including Medicaid expansion programs, Environmental Services' drinking and groundwater programs and Education programs. Additionally, in fiscal year 2020, additional federal funds were granted under the provisions of section 601 (a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which resulted in additional appropriations in several categories of government including Health & Social Services, Education, Transportation and Justice and Public Protection (Employment Security). In addition, the final budget reflects all appropriations included in the companion legislation which accompanied the original adopted budget. There were approximately $145 million additional state appropriations throughout several categories of government including (Health & Social Services) $22.2 million for Medicaid rate increases and $8.8 million for a secure psychiatric unit at the state hospital facility, (Education) $9.0 million for a University of NH Nursing program, and (General Government) $40.0 million for municipal aid to cities and towns. These appropriations utilized a portion of fund balance carried over from the previous biennium.

Total actual expenditures were approximately $1,485.7 million lower than the final budget, primarily within the Department of Health & Human Services, the Department of Justice, the Department of Education and the Department of Environmental Services. This variance was largely due to the timing of program expenditures and certain supplemental appropriations for programs designated for the '20-21 biennium, which were not completed in fiscal year 2020. However, lapsed appropriations for fiscal year 2020 were $46.0 million higher than budgeted, due in part to cost saving measures implemented as a result of the COVID-19 global pandemic. Actual total revenue was less than the final budget by approximately $884.3 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $657.6 million was due primarily to the timing of program expenditures, as previously discussed. In addition, Special Taxes were lower than budget by $88.3 million as a result of economic disruptions related to the COVID-19 global pandemic.

Education Trust Fund:

The original budget did not change significantly as compared to the final budgeted appropriations of $1,091.5 million, however the final budget including transfers in from the General Fund, reflects additional funding of $68.1 million which was included in the companion legislation which accompanied the original adopted budget. Total actual expenditures were $11.7 million lower than the final budget. Actual total revenue, primarily in Special Taxes, was lower than budget by $41.8 million as a result of economic disruptions related to the COVID-19 global pandemic.

Highway Fund:

The net increase from the original budget of $1,029.9 million to the final budget of $1,044.7 million is $14.8 million and represents appropriations for federal programs not part of the adopted operating budget. The appropriation transfers in reflects additional funding sources authorized through the budget process to utilize non-Highway funds in support of Highway Fund activity. Total actual expenditures and actual revenue were lower than the final budget due to the timing of federal program expenditures and related federal reimbursement.

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, 2020, amounted to $8.1 billion, with accumulated depreciation amounts of $3.8 billion, leaving a net book value of $4.3 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 $2.6 billion, consistent with the prior year.

The 2020-2021 capital budget authorized $261 million in capital appropriations, leveraging approximately $125 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 2020 include:

- Various computer software system installations and equipment upgrades at the Departments of Health and Human Services, Information Technology and Revenue totaling approximately $24.0 million.
- Buildings and building improvements of approximately $20.6 million relating to National Guard armory and headquarter locations.
- Department of Transportation equipment expenditures totaling $13.9 million towards 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 $1,302.8 million, which includes $11.6 million of general obligation bonds related to a component unit. Of the total amount, $904.1 million are general obligation bonds, direct placement bonds, and notes payable, which are backed by the full faith and credit of the State, and $90.8 million are Federal Highway Grant Anticipation Bonds (GARVEE). The remainder of the State's debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

The State issued $80.2 million General Obligation Capital Improvement Bonds 2020 Series A on March 5, 2020, of which $74.9 million was for governmental activities and $5.3 million was for Liquor projects, through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 1.97% with 5.0% coupons on each series and with final maturity on 12/1/2039. The proceeds of this issue 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 2020. Total proceeds attributed to fiscal year 2020 expenditures were $33.8 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. During fiscal year 2020 the State also issued private placement bonds with the New Hampshire Municipal Bond Bank and completed a refunding of Turnpike System Revenue Bonds. Additional information on the State's long-term debt issuances and 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, all with a stable outlook.

ECONOMIC CONDITIONS AND OUTLOOK

On March 13, 2020 Governor Sununu declared a State of Emergency in New Hampshire due to the COVID-19 Global Pandemic (the "pandemic"). Prior to this, State unrestricted revenue collections were tracking consistently with budgeted plan amounts. In January 2020 the State had an unemployment rate of 2.6 percent, continuing a years-long run of a rate well under 3 percent. But within weeks of the Governor's emergency orders issued in March, the rate jumped to 17.1 percent in April, dropping to 9.2 percent by June. The unemployment rate for New England in June was 13.4 percent. In the midst of stay at home orders and significant restrictions on business operations statewide, Governor Sununu established a bipartisan, public/private Economic Reopening Task Force in April. The Task Force was charged with holding public hearings to develop recommendations for guidance needed to reopen New Hampshire's economy, while minimizing the adverse impact on public health. Through daily meetings and public comment, which engaged employers from across the State and sectors, the task force made dozens of recommendations for reopening, which ultimately formed the basis for the State's quick economic recovery through the summer.

Fiscal Year 2021 Revenue Performance for the five months ended November 30, 2020:

Unrestricted revenue for the General and Education Funds received year to date through the month of November totaled $815.7 million, which was above plan by $75.1 million (10.1%) and above prior year by $76.4 million (10.3%). The monthly revenue is reported on a cash basis and does not reflect standard adjustments which present annual results reported on a modified accrual basis. For fiscal year 2021, the cash basis total of $815.7 million will be reduced by approximately $30 million which is known to be additional accrual amounts received in fiscal 2021 but related to fiscal 2020. While each year-end the State records revenue accruals, offset by reversals of prior year accruals of similar amounts, this additional accrual adjustment is due to the federal tax filing deadline which was extended to July 2020, thereby increasing the amount of payments received in fiscal 2021 relating to fiscal 2020.

Without consideration of this accrual adjustment which will impact audited fiscal 2021 results, and despite current economic conditions relating to the pandemic, cash basis collections are performing strong in the following revenue categories:

- Business Taxes totaled $258.7 million through November, which was $60.5 million (30.5%) above plan and $55.8 million (27.5%) above prior year cash basis revenue.
- Tobacco Tax receipts through November of $108.0 million were $18.1 million (20.1%) above plan and $19.7 million (22.3.%) above prior year cash basis revenue.
- Real Estate Transfer Taxes through November were $7.2 million (9.0%) above plan and $3.7 million (4.4%) above prior year cash basis revenue.
- Collections for the Interest and Dividends Tax through November of $45.5 million were $20.9 million (85.0%) above plan and $19.8 million (77.0%) above prior year cash basis revenue.

The revenue source most impacted by the economic disruption of the pandemic, which experienced negative variances in cash basis revenues, was Meals and Rentals:

- Meals and Rentals Tax receipts through November of $146.2 million were $40.6 million (21.7%) below plan and $29.3 million (16.7%) below prior year.

On an annual basis, the fiscal year 2021 General and Education Funds revenue Plan of $2,656.0 million is approximately $135.8 million lower (0.7%) than the actual unrestricted revenue realized in fiscal year 2020 ($2,520.2 million). This is due to the revenue impact of economic disruptions as a result of the pandemic in the last quarter of fiscal year 2020, particularly in the area of meals and rentals and business tax collections. As the 2021 budget plan was adopted well prior to the pandemic, no additional legislative actions have taken place to address any potential revenue shortfall across the ‘2020-2021 biennium.

Going forward, the State will continue to monitor unrestricted revenue collections closely. The state will continue to manage spending and institute budget reductions and program savings initiatives as needed. It is anticipated that net shortfalls could be absorbed by the existing balance in the Revenue Stabilization (Rainy Day) fund.

Additional discussion of the region's economy is found in the Commissioner's Transmittal Letter.

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, 2020
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 902,455	$ 111,783	$ 1,014,238	$ 112,515
Cash and Cash Equivalents-Restricted	39,325	124,136	163,461	16,821
Investments				168,136
Investments - Restricted		106,047	106,047	
Receivables (Net of Allowances for Uncollectibles)	957,417	31,975	989,392	56,324
Other Receivables-Restricted		169,780	169,780	
Internal Balances Receivable (Payable)	24,383	(24,383)		
Inventories	47,274	93,269	140,543	
Other Current Assets	10,952	94	11,046	9,334
Other Current Assets-Restricted		5,781	5,781	
Total Current Assets	1,981,806	618,482	2,600,288	363,130
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	24,364		24,364	31,516
Other Receivables-Restricted		498,980	498,980	
Investments	16,967		16,967	829,539
Investments-Restricted	781,862	68,962	850,824	
Other Assets				43,965
Other Assets-Restricted		4,417	4,417	
Capital Assets:				
Land & Land Improvements	703,078	106,799	809,877	17,962
Buildings & Building Improvements	1,018,167	69,871	1,088,038	2,042,618
Equipment & Computer Software	554,992	101,773	656,765	152,827
Construction in Progress	253,937	35,039	288,976	66,152
Infrastructure	4,085,797	1,169,760	5,255,557	
Less: Allowance for Depreciation	(3,290,797)	(496,720)	(3,787,517)	(975,589)
Net Capital Assets	3,325,174	986,522	4,311,696	1,303,970
Total Noncurrent Assets	4,148,367	1,558,881	5,707,248	2,208,990
Total Assets	6,130,173	2,177,363	8,307,536	2,572,120
DEFERRED OUTFLOWS OF RESOURCES	206,723	11,438	218,161	60,369

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
June 30, 2020
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 492,235	$ 79,385	$ 571,620	$ 75,530
Accrued Payroll	58,405	4,124	62,529	5,585
Unearned Revenue	861,599	16,991	878,590	73,521
Unclaimed Property & Prizes	16,862	763	17,625	
General Obligation Bonds Payable	80,238	5,150	85,388	
Federal Highway Grant Anticipation Bond Payable	15,000		15,000	
Claims & Compensated Absences Payable	36,516	2,645	39,161	6,713
Other Liabilities	31,362	110,136	141,498	9,696
Revenue Bonds Payable		24,145	24,145	28,877
Total Current Liabilities	1,592,217	243,339	1,835,556	199,922
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	690,331	44,667	734,998	
Federal Highway Grant Anticipation Bond Payable	75,800		75,800	
Revenue Bonds Payable, Net		293,547	293,547	411,678
Notes Payable	174,917		174,917	
Claims & Compensated Absences Payable	109,692	8,022	117,714	24,467
Other Postemployment Benefits Payable	1,703,228	90,120	1,793,348	183,458
Derivative Instruments - Interest Rate Swaps				29,262
Net Pension Liability	897,841	43,580	941,421	57,153
Other Noncurrent Liabilities	74,175	6,885	81,060	85,454
Total Noncurrent Liabilities	3,725,984	486,821	4,212,805	791,472
Total Liabilities	5,318,201	730,160	6,048,361	991,394
DEFERRED INFLOWS OF RESOURCES	714,679	47,295	761,974	66,021
NET POSITION				
Net Investment in Capital Assets	2,442,642	629,432	3,072,074	871,816
Restricted for Debt Repayments		50,183	50,183	
Restricted for Uninsured Risks		3,763	3,763	
Restricted for Unemployment Benefits	19,013	62,211	81,224	
Restricted for Permanent Funds-Expendable	13,657		13,657	
Restricted for Permanent Funds-Non-Expendable	13,287		13,287	
Restricted for Prize Awards - MUSL & Tri-State		4,417	4,417	
Restricted for Environmental Remediation	298,272		298,272	
Restricted for Environmental Loan Programs	985	715,711	716,696	
Restricted for Health and Social Services	106,439		106,439	
Restricted for Facility Sustainment		700	700	
Restricted for Highway	128,553		128,553	
Restricted for Other Purposes	219,011		219,011	
Restricted Component Unit Net Position				549,489
Unrestricted Net Position (Deficit)	(2,937,843)	(55,071)	(2,992,914)	153,769
Total Net Position	$ 304,016	$ 1,411,346	$ 1,715,362	$ 1,575,074

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, 2020
(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	$ 911,255	$ 360,177	$ 548,084	
Administration of Justice & Public Protection	583,877	415,660	96,654	12
Resource Protection and Development	197,678	85,769	37,563	
Transportation	485,317	18,498	13,076	208,711
Health and Social Services	3,092,544	112,585	1,944,554	
Education	1,443,493	2,696	184,017	
Interest Expense	27,426			
Total Governmental Activities	6,741,590	995,385	2,823,948	208,723
Business-type Activities:				
Turnpike System	99,371	136,319		5
Liquor Commission	599,886	757,986		
Lottery Commission	293,314	392,651		
SRF	14,299	17,845	22,566	
Unemployment Compensation	1,097,245	61,919	798,877	
Total Business-type Activities	2,104,115	1,366,720	821,443	5
Total Primary Government	$ 8,845,705	$ 2,362,105	$ 3,645,391	$ 208,728
COMPONENT UNITS				
University System of New Hampshire	831,965	553,768	163,291	18,122
Non-Major Component Units	147,171	70,226	45,308	4,117
Total Component Units	$ 979,136	$ 623,994	$ 208,599	$ 22,239

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 - July 1
Net Position - June 30

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (2,994)		$ (2,994)	
(71,551)		(71,551)	
(74,346)		(74,346)	
(245,032)		(245,032)	
(1,035,405)		(1,035,405)	
(1,256,780)		(1,256,780)	
(27,426)		(27,426)	
(2,713,534)		(2,713,534)	
	$ 36,953	36,953	
	158,100	158,100	
	99,337	99,337	
	26,112	26,112	
	(236,449)	(236,449)	
	84,053	84,053	
$ (2,713,534)	$ 84,053	$ (2,629,481)	
			(96,784)
			(27,520)
			$ (124,304)
386,004		386,004	
654,400		654,400	
316,114		316,114	
633,110		633,110	
213,654		213,654	
174,691		174,691	
18,213		18,213	
70,444		70,444	
			152,837
268,771	(268,771)		
2,735,401	(268,771)	2,466,630	152,837
21,867	(184,718)	(162,851)	28,533
282,149	1,596,064	1,878,213	1,546,541
$ 304,016	$ 1,411,346	$ 1,715,362	$ 1,575,074

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.*

Coronavirus Relief Fund: *The Coronavirus Relief Fund is used to account for revenues and expenditures related to federal revenue received under section 601 (a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act").*

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 municipalities' school districts and to approved charter schools pursuant to RSA 198:42, to provide low and moderate income homeowners property tax relief under RSA 198:56-198:61, and to fund kindergarten programs as may be determined by the general court. Funding for the grants comes from a variety of sources including the statewide property and utility taxes, incremental portions of existing business, real estate transfer and tobacco taxes, lottery funds and tobacco settlement funds.*

STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(Expressed in Thousands)

	General	Coronavirus Relief	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	$ 210,095	$ 468,573	$ 145,996	$ 40,100	$ 4,513	$ 869,277
Investments	441,635	319,997			37,197	798,829
Receivables (Net of Allowances for Uncollectibles)	773,023		48,839	114,634	7,214	943,710
Due from Other Funds	69,986		216	1,925	655	72,782
Other Assets	9,578					9,578
Inventories	27,393		18,873		1,008	47,274
Loan Receivables	24,424					24,424
Total Assets	$ 1,556,134	$ 788,570	$ 213,924	$ 156,659	$ 50,587	$ 2,765,874
LIABILITIES						
Accounts Payable	410,080	31,656	33,280	1,986	15,075	492,077
Accrued Payroll	46,833		10,559		1,013	58,405
Due to Other Funds	115		61		48,223	48,399
Unearned Revenue	101,894	756,914	2,791			861,599
Unclaimed Property	16,862					16,862
Tax Refunds Payable	4,134			2,925		7,059
Other Liabilities			522			522
Total Liabilities	579,918	788,570	47,213	4,911	64,311	1,484,923
DEFERRED INFLOWS OF RESOURCES	130,047		1,385	83,707		215,139
FUND BALANCES						
Nonspendable:						
Inventories	27,393		18,873		1,008	47,274
Permanent Fund Principal					13,287	13,287
Restricted	585,065		128,553		19,381	732,999
Committed	30,626				3,764	34,390
Assigned	138,766		17,900	68,041	4,512	229,219
Unassigned:						
Revenue Stabilization	115,485					115,485
Other	(51,166)				(55,676)	(106,842)
Total Fund Balances (Deficit)	846,169		165,326	68,041	(13,724)	1,065,812
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,556,134	$ 788,570	$ 213,924	$ 156,659	$ 50,587	$ 2,765,874

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, 2020
(Expressed in Thousands)

Total Fund Balances for Governmental Funds		$ 1,065,812
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.		3,325,174
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.		215,139
Revenues that will be collected after year-end and are not available		264
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.		66,218
Net deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds.		10,282
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers' Compensation	(125,324)	
Net Pension Liability, net of Deferred Amounts	(826,644)	
Other Postemployment Benefits Payable, net of Deferred Amounts	(2,292,663)	
Pollution Remediation Obligation	(72,460)	
Capital Lease Obligations	(16,925)	
Bonds and Notes Payable	(1,036,286)	
Interest Payable and Other Liabilities	(8,571)	(4,378,873)
Net Position of Governmental Activities		$ 304,016

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, 2020
(Expressed in Thousands)

	General	Coronavirus Relief	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
General Property Taxes	$ 262			$ 406,542		$ 406,804
Special Taxes	1,271,917			361,153		1,633,070
Personal Taxes	127,448			86,206		213,654
Business License Taxes	25,831		174,691			200,522
Non-Business License Taxes	139,317		91,598		12,046	242,961
Fees	128,123		29,490		7,653	165,266
Fines, Penalties and Interest	6,290		7,733		181	14,204
Federal Government	2,137,334	493,265	186,149		50,501	2,867,249
Private and Local Sources	178,800		7,432		304	186,536
Rents and Leases	1,157		87			1,244
Interest, Premiums and Discounts	25,044			1,079	713	26,836
Sale of Commodities	14,167		2,949		1,005	18,121
Sale of Service	21,698		4,089			25,787
Assessments	61,995					61,995
Other Agencies	48,831		8,675		182	57,688
Miscellaneous	218,649		11,658	40,000	6,390	276,697
Total Revenues	4,406,863	493,265	524,551	894,980	78,975	6,398,634
EXPENDITURES						
Current:						
General Government	386,023	415,488		1,008		802,519
Administration of Justice and Public Protection	513,153		87,317		392	600,862
Resource Protection and Development	172,721		1,791		24,228	198,740
Transportation	17,711		340,401			358,112
Health and Social Services	3,020,190	77,777			751	3,098,718
Education	366,309			1,078,293		1,444,602
Debt Service	106,667		32,782		274	139,723
Capital Outlay	30,801		115,984		126,568	273,353
Total Expenditures	4,613,575	493,265	578,275	1,079,301	152,213	6,916,629
Excess (Deficiency) of Revenues Over (Under) Expenditures	(206,712)		(53,724)	(184,321)	(73,238)	(517,995)
OTHER FINANCING SOURCES (USES)						
Transfers In	7,525		31,388	68,100	1,476	108,489
Transfers in from Enterprise Funds	168,981			99,790		268,771
Transfers Out	(100,964)		(3,314)		(4,211)	(108,489)
Capital Lease Acquisition	3,244					3,244
Bond Premiums					20,306	20,306
Bond and Note Issuance			33,776		75,572	109,348
Total Other Financing Sources	78,786		61,850	167,890	93,143	401,669
Net Change in Fund Balances	(127,926)		8,126	(16,431)	19,905	(116,326)
Fund Balances (Deficits)- July 1	951,898		158,657	84,472	(33,625)	1,161,402
Change in Inventory	22,197		(1,457)		(4)	20,736
Fund Balances (Deficits) - June 30	$ 846,169		$ 165,326	$ 68,041	$ (13,724)	$ 1,065,812

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, 2020
(Expressed in Thousands)

Net Change in Fund Balances for Total Governmental Funds, including Change in Inventory		$ (95,590)
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		(46,841)
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	8,945	
Buildings & Building Improvements	32,061	
Equipment & Computer Software	34,141	
Construction in Progress	10,328	
Infrastructure	115,559	
Accumulated Depreciation, Net of Disposals	(122,698)	78,336
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.		24,664
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	(33,776)	
Bond Proceeds and Premiums Received	(95,878)	
Repayment of Bond/Note Principal & Interest	101,923	
Amortization of Premiums	10,915	
Unamortized Loss on Refunding, net	(1,491)	
Accrued Interest	951	(17,356)
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	(2,842)	
Other Postemployment Benefits Payable, net of Deferred Amounts	105,388	
Net Pension Liability, net of Deferred Amounts	(17,090)	
Pollution Remediation Obligation	(5,539)	
Capital Lease Obligation	(1,263)	
Advance Construction Commitments to Municipalities		78,654
Change in Net Position of Governmental Activities		$ 21,867

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, 2020
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
ASSETS	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
Current Assets:							
Cash and Cash Equivalents	$111,621		$162			$111,783	$72,503
Cash and Cash Equivalents-Restricted	17,879			$ 76,590	$ 29,667	124,136	
Investments - Restricted	44,688			61,359		106,047	
Receivables (Net of Allowances for Uncollectibles)	22,791	5,920	3,264			31,975	13,647
Other Receivables-Restricted (Net of Allowance for Doubtful Accounts)				30,138	139,642	169,780	
Due from Other Funds	297	71	359			727	
Inventories	2,855	88,846	1,568			93,269	
Other Current Assets	82		12			94	1,110
Other Current Assets-Restricted				5,781		5,781	
Total Current Assets	200,213	94,837	5,365	173,868	169,309	643,592	87,260
Noncurrent Assets:							
Investments - Restricted				68,962		68,962	
Other Receivables-Restricted				498,980		498,980	
Capital Assets:							
Land & Land Improvements	104,072	2,727				106,799	
Buildings & Building Improvements	17,876	48,996	2,999			69,871	
Equipment & Computer Software	75,667	25,389	717			101,773	
Construction in Progress	34,933	106				35,039	
Infrastructure	1,169,760					1,169,760	
Less: Allowance for Depreciation & Amortization	(470,448)	(25,540)	(732)			(496,720)	
Net Capital Assets	931,860	51,678	2,984			986,522	
Other Assets - Restricted			4,417			4,417	
Total Noncurrent Assets	931,860	51,678	7,401	567,942		1,558,881	
Total Assets	1,132,073	146,515	12,766	741,810	169,309	2,202,473	87,260
DEFERRED OUTFLOWS OF RESOURCES	3,631	5,170	964	1,673		11,438	
LIABILITIES							
Current Liabilities:							
Accounts Payable	9,878	64,463	3,578	1,466		79,385	158
Accrued Payroll	801	2,473	431	419		4,124	
Due to Other Funds	216	21,046	1,925		1,923	25,110	
Unearned Revenue	15,226	772	993			16,991	
Unclaimed Prizes			763			763	
General Obligation Bonds Payable		3,078		2,072		5,150	
Revenue Bonds Payable-Current	24,145					24,145	
Accrued Interest Payable	3,907	152				4,059	
Claims & Compensated Absences Payable	1,616	846	61	122		2,645	20,884
Other Liabilities	686	93	111	12	105,175	106,077	
Total Current Liabilities	56,475	92,923	7,862	4,091	107,098	268,449	21,042
Noncurrent Liabilities:							
General Obligation Bonds Payable		35,512		9,155		44,667	
Revenue Bonds Payable	293,547					293,547	
Claims & Compensated Absences Payable	1,955	4,441	529	1,097		8,022	
Other Postemployment Benefits Payable	22,734	49,734	12,438	5,214		90,120	
Net Pension Liabilities	10,559	23,464	3,835	5,722		43,580	
Other Noncurrent Liabilities	4,181		2,704			6,885	
Total Noncurrent Liabilities	332,976	113,151	19,506	21,188		486,821	
Total Liabilities	389,451	206,074	27,368	25,279	107,098	755,270	21,042
DEFERRED INFLOWS OF RESOURCES	15,107	23,490	6,205	2,493		47,295	
NET POSITION							
Net Investment in Capital Assets	616,924	12,339	169			629,432	
Restricted for Debt Repayments	50,183					50,183	
Restricted for Uninsured Risks	3,763					3,763	
Restricted for Prize Awards - MUSL & Tri-State			4,417			4,417	
Restricted for Environmental Loans				707,926		707,926	
Restricted for SRF Programs				7,785		7,785	
Restricted for Facility Sustainment	700					700	
Restricted for Unemployment Benefits					62,211	62,211	
Restricted for Employee Benefits							66,218
Unrestricted Net Position (Deficit)	59,576	(90,218)	(24,429)			(55,071)	
Total Net Position (Deficit)	$ 731,146	$ (77,879)	$ (19,843)	$ 715,711	$ 62,211	$ 1,411,346	$ 66,218

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, 2020
(Expressed in Thousand)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
OPERATING REVENUES							
Charges for Sales and Services		$ 739,591	$ 392,234	$ 9,814	$ 55,136	$1,196,775	$ 317,641
Toll Revenue Pledged for Repaying Revenue Bonds	$ 130,913					130,913	
Total Operating Revenue	130,913	739,591	392,234	9,814	55,136	1,327,688	317,641
OPERATING EXPENSES							
Cost of Sales and Services		533,027				533,027	
Lottery Prize Awards			283,847			283,847	
Unemployment Insurance Benefits					1,097,245	1,097,245	
Principal Forgiveness				3,470		3,470	
Insurance Claims							285,496
Administration	61,641	63,032	9,285	10,337		144,295	8,670
Impairment of Capital Assets							
Depreciation	28,113	2,322	84			30,519	
Total Operating Expenses	89,754	598,381	293,216	13,807	1,097,245	2,092,403	294,166
Operating Income (Loss)	41,159	141,210	99,018	(3,993)	(1,042,109)	(764,715)	23,475
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,634				4,634	
Beer Taxes		13,176				13,176	
Investment Income	2,296		417	3,632	6,783	13,128	1,189
Miscellaneous	3,110	585		4,399		8,094	
Federal Revenue Grants & Subsidies				22,566	798,877	821,443	
Interest on Bonds and Mortgages	(9,617)	(1,505)	(98)	(492)		(11,712)	
Total Nonoperating Revenues (Expenses)	(4,211)	16,890	319	30,105	805,660	848,763	1,189
Income (Loss) Before Capital Grant Contributions	36,948	158,100	99,337	26,112	(236,449)	84,048	24,664
Capital Contributions and Grants	5					5	
Income (Loss) Before Transfers	36,953	158,100	99,337	26,112	(236,449)	84,053	24,664
Transfers To Governmental Funds		(154,982)	(99,790)		(13,999)	(268,771)	
Change in Net Position	36,953	3,118	(453)	26,112	(250,448)	(184,718)	24,664
Net Position (Deficit)- July 1	694,193	(80,997)	(19,390)	689,599	312,659	1,596,064	41,554
Net Position (Deficit) - June 30	$ 731,146	$ (77,879)	$ (19,843)	$ 715,711	$ 62,211	$1,411,346	$ 66,218

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, 2020
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Federal and Local Agencies				$ 4,997	$ 1,438	$ 6,435	
Receipts from Customers	$127,832	$ 740,149	$ 289,926		47,747	1,205,654	$ 65,946
Receipts from Borrowers				34,268		34,268	
Interest from Borrowers				4,113		4,113	
Receipts from Supplier Rebate		81,396				81,396	
Receipts from Interfund Charges							249,558
Payments to Borrowers				(75,956)		(75,956)	
Payments to Employees	(16,852)	(34,332)	(5,840)			(57,024)	
Payments to Suppliers	(49,301)	(653,610)	(17,299)	(6,518)		(726,728)	(8,789)
Payments to Prize Winners			(169,257)			(169,257)	
Payments for Assistance Programs				(2,205)		(2,205)	
Payments for Insurance Claims					(1,008,957)	(1,008,957)	(287,636)
Payments for Interfund Services		(7,139)		(940)		(8,079)	
Net Cash Provided by (Used for) Operating Activities	61,679	126,464	97,530	(42,241)	(959,772)	(716,340)	19,079
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(144,918)	(103,074)		(13,999)	(261,991)	
Receipts from Federal Agencies				21,949	683,578	705,527	
Other Contributions	724			4,399		5,123	
Temporary Loan from Other State Funds		14,591				14,591	
Interest Paid on Bonds				(493)		(493)	
Principal Paid on Bonds				(2,077)		(2,077)	
Transfer to Alcohol Abuse Prevention/ Treatment Fund		(10,038)				(10,038)	
Proceeds from Collection of Licenses and Beer Tax		17,810				17,810	
Other Income	1,463	1,435				2,898	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities	2,187	(121,120)	(103,074)	23,778	669,579	471,350	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal, Sale and Construction of Capital Assets	(33,215)	(6,353)	(73)			(39,641)	
Interest Paid on Bonds and Mortgages	(16,837)	(1,523)	(98)			(18,458)	
Principal Paid on Bonds and Mortgages	(30,040)	(2,762)	(107)			(32,909)	
Net Proceeds from Issuance of Bonds and Mortgages		5,294				5,294	
Net Receipts from Agent on Refunding Bonds	305					305	
Payments for Underwriter Discount/ Premium	1,402					1,402	
Payments to Others	(300)					(300)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(78,685)	(5,344)	(278)			(84,307)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	59,679					59,679	1,189
Purchase of Investment	(60,569)			(3,652)		(64,221)	
Other Income	2,306		417	3,794	6,783	13,300	
Net Cash Provided by (Used for) Investing Activities	1,416		417	142	6,783	8,758	1,189
Net Increase in Cash & Cash Equivalents	(13,403)		(5,405)	(18,321)	(283,410)	(320,539)	20,268
Cash and Cash Equivalents - July 1	142,903		5,567	94,911	313,077	556,458	52,235
Cash and Cash Equivalents - June 30	$129,500		$ 162	$ 76,590	$ 29,667	$ 235,919	$ 72,503

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, 2020
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
Reconciliation of Operating Income (Loss) to Net							
Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	$ 41,159	$ 141,210	$ 99,018	$ (3,993)	$ (1,042,109)	$(764,715)	$ 23,475
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation	28,113	2,322	84			30,519	
Principal Repayments				34,268		34,268	
Loan Advances to Borrowers				(75,956)		(75,956)	
Capitalized Loan Interest				(5)		(5)	
Principal Forgiveness				3,470		3,470	
Interest Income on Loans							
Miscellaneous Income/(Expense)	313			723		1,036	
Capital Deletions / Reclassification							
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	(3,192)	470	788	(677)	(10,696)	(13,307)	(2,137)
Change in Inventories	(199)	(3,078)	(304)			(3,581)	
Change in Other Current Assets			(2)			(2)	125
Change in Restricted Deposits-MUSL			453			453	
Change in Accounts Payable and Other Accruals	(2,136)	(11,428)	547	(179)	93,033	79,837	(116)
Change in Claims Payable			(2,047)	107		(1,940)	(2,268)
Change in Unearned Revenue	(151)	87	8			(56)	
Change in Other Postemployment Benefits Payable, Net of Deferred Amounts	(2,228)	(3,344)	(1,003)	1		(6,574)	
Change in Net Pension Liability, Net of Deferred Amounts		225	(12)			213	
Net Cash Provided by (Used In) Operating Activities	$ 61,679	$ 126,464	$ 97,530	$ (42,241)	$ (959,772)	$(716,340)	$ 19,079
Turnpike Non-Cash Capital and Related Financing Activities:							
Capital Contributions	$ 5						
Non-Cash Capital Acquisition	$ (5,262)						
SRF Non-Cash Investing Activities:							
Principal Forgiveness				$ 3,470			

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, 2020
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 232,656	$ 4,120	$ 5,326	$ 9,584
Receivables:				
Due from Employers	49,564			
Due from Plan Members	21,748			
Due from Brokers for Securities Sold	10,950			
Interest and Dividends	12,999		579	
Other	4,537			
Total Receivables	99,798		579	
Investments:				
Certificates of Deposit			118,161	
Repurchase Agreements			7,576	
U.S. Government Obligations			53,971	
Equity Investments	4,103,860			
Fixed Income Investments	2,086,762			
Commercial Real Estate	967,355			
Commercial Paper			35,881	
Alternative Investments	1,731,991			
Other Investments		10,661	12,494	3,511
Total Investments	8,889,968	10,661	228,083	3,511
Other Assets	2,750			
Total Assets	9,225,172	14,781	233,988	13,095
LIABILITIES				
Management Fees and Other Payables	8,980	874	91	
Due to Brokers for Securities Purchased	16,931			
Custodial Funds Payable				13,095
Other Liabilities			142	
Total Liabilities	25,911	874	233	13,095
NET POSITION				
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	9,199,261			
Net Position Held in Trust for Benefits & Other Purposes		13,907	233,755	
RECONCILIATION OF NET POSITION HELD IN TRUST:				
Employees' Pension Benefits	9,162,550			
Employees' Postemployment Healthcare Benefits	36,711			
Net Position for Pool Participants in External Investment Pool			233,755	
Other Purposes		13,907		
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	$ 9,199,261			
Net Position Held in Trust for Benefits & Other Purposes		$ 13,907	$ 233,755	

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund
ADDITIONS			
Contributions:			
Employers	$ 498,429		
Plan Members	230,538		
Participants		38,856	308,211
Total Contributions	728,967	38,856	308,211
Investment Income:			
From Investing Activities:			
Net Depreciation in Fair Value of Investments	(26,647)		
Interest Income	49,783	239	4,581
Dividends	70,771		
Alternative Investment Income	28,692		
Other	16,835	1,049	8
Gross Income from Investing Activities	139,434	1,288	4,589
Less Investment Activity Expenses:			
Investment Management Fees	25,632		784
Custodial Fees	699		
Investment Administrative Expense	669		
Investment Advisor Fees	750		
Investment Professional Fees	207		
Total Investment Activity Expenses	27,957		784
Total Net Income from Investing Activities	111,477	1,288	3,805
Total Additions	840,444	40,144	312,016
DEDUCTIONS			
Benefits/Distributions to Participants	870,892	35,401	
Refunds of Contributions	23,396		
Administrative Expense	8,665		
Professional Fees	658		
Other	238	2,395	296,053
Total Deductions	903,849	37,796	296,053
Change in Net Position	(63,405)	2,348	15,963
NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Position - July 1	9,262,666	11,559	217,792
Net Position - June 30	$ 9,199,261	$ 13,907	$ 233,755

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2020
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 65,339	$ 47,176	$ 112,515
Cash and Cash Equivalents - Restricted		16,821	16,821
Operating Investments	158,907	9,229	168,136
Accounts Receivable	31,298	11,828	43,126
Other Receivables	2,537	5,252	7,789
Notes Receivable - Current Portion	2,070	3,339	5,409
Prepaid Expenses & Other	7,415	1,919	9,334
Total Current Assets	267,566	95,564	363,130
Noncurrent Assets:			
Investments	802,919	26,620	829,539
Notes & Other Receivables	15,006	16,510	31,516
Other Assets	432	43,533	43,965
Capital Assets:			
Land & Land Improvements	17,962		17,962
Building & Building Improvements	1,858,870	183,748	2,042,618
Equipment	152,326	501	152,827
Construction in Progress	66,152		66,152
Less: Accumulated Depreciation	(975,385)	(204)	(975,589)
Net Capital Assets	1,119,925	184,045	1,303,970
Total Noncurrent Assets	1,938,282	270,708	2,208,990
Total Assets	2,205,848	366,272	2,572,120
DEFERRED OUTFLOWS OF RESOURCES	48,775	11,594	60,369
LIABILITIES			
Current Liabilities:			
Accounts Payable	64,113	11,417	75,530
Accrued Salaries and Wages		5,585	5,585
Accrued Employee Benefits - Current	6,673	40	6,713
Other Payables & Accrued Expenses		5,284	5,284
Other Liabilities	4,412		4,412
Deposits and Unearned Revenues	68,879	4,642	73,521
Long Term Debt - Current Portion	27,315	1,562	28,877
Total Current Liabilities	171,392	28,530	199,922
Noncurrent Liabilities:			
Revenue Bonds Payable	411,678		411,678
Accrued Employee Benefits	24,467		24,467
Other Postemployment Medical Benefits Payable	86,131	97,327	183,458
Derivative Instruments - Interest Rate Swaps	29,262		29,262
Net Pension Liability		57,153	57,153
Other Long Term Debt	23,875	61,579	85,454
Total Noncurrent Liabilities	575,413	216,059	791,472
Total Liabilities	746,805	244,589	991,394
DEFERRED INFLOWS OF RESOURCES	10,474	55,547	66,021
NET POSITION			
Net Investment in Capital Assets	709,337	162,479	871,816
Restricted:			
Nonexpendable	296,353		296,353
Expendable	200,667	52,469	253,136
Unrestricted Net Position (Deficit)	290,987	(137,218)	153,769
Total Net Position	$ 1,497,344	$ 77,730	$ 1,575,074

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
EXPENSES	$ 831,965	$ 147,171	$ 979,136
PROGRAM REVENUES:			
Charges for Services:			
Tuition & Fees	516,928	61,536	578,464
Student Financial Aid	(200,255)	(22,378)	(222,633)
Sales, Services, & Other Revenue	195,291	29,201	224,492
Operating Grants & Contributions	163,291	45,308	208,599
Capital Grants & Contributions	18,122	4,117	22,239
Total Program Revenues	693,377	117,784	811,161
Net Expenses	(138,588)	(29,387)	(167,975)
Interest & Investment Income	41,804	1,867	43,671
Payments from State of New Hampshire	95,582	57,255	152,837
Change in Net Position	(1,202)	29,735	28,533
Net Position - July 1	1,498,546	47,995	1,546,541
Net Position - June 30	$ 1,497,344	$ 77,730	$ 1,575,074

Notes to the Basic Financial Statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

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.

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.

Coronavirus Relief Fund: The Coronavirus Relief Fund is used to account for revenues and expenditures related to federal revenue received under section 601 (a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). During fiscal year 2020, the CARES Act established the Coronavirus Relief Fund and the State received an allocation of $1.25 billion.

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, 2020, 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, 2020, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2019, 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 and demand deposit accounts, a government-sponsored enterprise (GSE) instrument, the external portion of the NHPDIP holdings classified as cash equivalents 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 includes 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. As of June 30, 2020, unearned revenue reported in governmental funds was $861.6 million, and in business-type activities was $17.0 million. The governmental funds includes the Coronavirus Relief Fund, which reflects unearned revenue of $756.9 million. Of the $1.25 billion allocation received, $493 million was recognized with corresponding expenditures, and the remainder classified as unearned revenue.

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. In previous fiscal years, 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. 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, 2020, the State adopted the following new accounting standard issued by the GASB:

GASB No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* (GASB 95) addresses the temporary relief to governments and other stakeholders in the light of the COVID-19 pandemic by postponing the effective dates of certain GASB pronouncements that first became effective or are scheduled to become effective for periods beginning after June 25, 2018 and later. The effective dates for certain pronouncements are postponed by one year and GASB Statement 87 *Leases* is postponed by eighteen months. The primary government and component units have implemented GASB 95. As a result, the implementation of GASB No. 84 *Fiduciary Activities* and GASB No. 90 *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61* will be implemented during fiscal year 2021.

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	$ 1,014,238	$ 16,967	$ 163,461	$ 956,871	$ 2,151,537
Per Statement of Fiduciary Net Position	Private Purpose	4,120	10,661			14,781
	Investment Trust	5,326	228,083			233,409
	Agency Funds	9,584	3,511			13,095
	Total per Financial Statements	**$ 1,033,268**	**$ 259,222**	**$ 163,461**	**$ 956,871**	**$ 2,412,822**

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 are denominated in U.S. dollars.

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, 2020.

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.

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, 2020 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 State's investments and cash equivalents, by type, as of June 30, 2020 (expressed in thousands):

	Investments Classified in the Fair Value Hierarchy		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Investments measured at fair value:			
U.S. Government Obligations		$ 518,502	$ 518,502
Municipal Bonds			
Equity Securities	$ 16,051		16,051
Corporate Bonds		1,539	1,539
Total Investments measured at fair value	16,051	520,041	536,092
Investments measured at the Net Asset Value (NAV):			
Money Market Mutual Funds			335,371
Equity Open Ended Mutual Funds			18,340
Fixed Income Open Ended Mutual Funds			12,671
Total Investments measured at the Net Asset Value (NAV)			366,382
Investments and Cash Equivalents not measured at fair value:			
External portion of NH Public Deposit Investment Pool			228,083
Internal Investment in NH Public Deposit Investment Pool			15,708
Investment CDs greater than 90 days; repurchase agreement			69,828
Cash and Cash Equivalents			1,196,729
Total Investments and Cash Equivalents not measured at fair value			1,510,348
Grand Total	$ 16,051	$ 520,041	$ 2,412,822

Note to the table above: Rates range from 0.0% to 7.134% and maturities from fiscal year 2020 to 2030.

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 credit, custodial, or concentration risk to the State for the amounts held in the State's abandoned property program. These assets represent securities remitted to the State simple for safe-keeping with the goal of eventual return to the rightful owner.

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. Money market funds to be considered and utilized are those funds invested in the U.S. Treasury, Agency or other securities commonly referrerd to as being "within first tier categories" and/or which have the highest rating available from at least one nationally recognized rating agency.

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.

There is no credit, custodial, or concentration risk to the State for the amounts held in the State's abandoned property program. These assets represent securities remitted to the State simple for safe-keeping with the goal of eventual return to the rightful owner.

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. 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.

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. The State does not have a formal policy relative to operating funds and mitigation of concentration of credit risk. This risk is applicable to the State's investments in corporate bonds which are held in certain trust and custodial accounts. 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.

The State's exposed risks at June 30, 2020 are noted below:

Credit Risk and Interest Rate Risk (expressed in thousands)

	Governmental & Business Type			Fiduciary		
Type	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	$ 1,539		4.3			
U.S. Government Obligations Held in Permanent Funds	1,338		4.5			
U.S. Government Obligations Held in Governmental and Business Type Activities	517,164		1.0			
Fixed Income Open Ended Mutual Funds		6,783	6.2		$ 4,073	7.2
Municipal Bonds						

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, 2020 exposed to custodial credit risk and excludes $5.3 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	$ 2,175	$ 1,313,119	$ 17,277		$ 10,709	$ 51
Money Mkt/Svgs Acct		700			4,998	202
Total	$ 2,175	$ 1,313,819	$ 17,277		$ 15,707	$ 253

FIDUCIARY COMPONENT UNIT (New Hampshire Retirement System – NHRS)

Investments in both domestic and non-U.S. marketable securities traded on a national or international exchange are valued at quoted market prices. Domestic and non-U.S. securities not traded on a national or international exchange are based upon quoted prices for comparable instruments with similar yields and risk in active and inactive markets. NHRS uses a trade-date accounting basis for both domestic and non-U.S. securities and values are expressed in U.S. dollars. 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 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 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 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 Plans 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, 2020, as recommended by the Independent Investment Committee and adopted by the NHRS Board of Trustees, is as follows:

ASSET ALLOCATION	2020	
Asset Class:	**Target**	**Range**
Large Cap Equities	22.50 %	
Small/Mid Cap Equities	7.50 %	
Total Domestic Equity	**30.00 %**	**20–40%**
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	10.00 %	
Private Debt	5.00 %	
Total Alternative Investments	**15.00 %**	**5–25%**
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, 2020, NHRS held deposits of $17.1 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 Plans' 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, 2020 (dollars expressed in thousands):

Investment Type	Fair Value June 30, 2020	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration Years
Collateralized/Asset Backed Obligations	$ 196,991	9.5 %	3.1	0.3
Corporate Bonds	708,168	34.3 %	8.2	2.8
Government and Agency Bonds	357,048	17.3 %	6.7	1.2
Commingled Fund	241,492	11.7 %	3.1	0.4
Commingled Fund	358,617	17.3 %	6.1	1.0
Commingled Fund	204,526	9.9 %	4.1	0.4
Totals	**$ 2,066,842**	**100.0 %**		**6.1**

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 credit risk.

The following schedule illustrates the Plan's fixed income investments as of June 30, 2020, including the distribution of those investments by Standard & Poor's quality credit ratings (dollars expressed in thousands):

		Quality Ratings[1]				
Investment Type	**Fair Value June 30, 2020**	**AAA**	**AA**	**A**	**BBB or Lower**	**Unrated**
Collateralized/Asset Backed Obligations	$ 196,991	$ 141,050	$ 995	$ 9,041	$ 20,257	$ 25,648
Corporate Bonds	708,169		37,681	171,745	492,697	6,046
Government and Agency Bonds [2]	116,837	6,880	20,078	18,255	61,222	10,402
Commingled Fund [3]	241,492				241,492	
Commingled Fund [3]	358,617				358,617	
Commingled Fund [3]	204,526				204,526	
Totals	**$ 1,826,632**	**$ 147,930**	**$ 58,754**	**$ 199,041**	**$1,378,811**	**$ 42,096**
Percent of Total Fair Value		**8.10 %**	**3.22 %**	**10.90 %**	**75.48 %**	**2.30 %**

[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 ($240,210) because these securities are not considered to have credit risk.

[3] Average credit quality ratings for the commingled funds was provided by Blackrock SIO, Fidelity, 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, 2020, the Plan's combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled $177.3 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, 2020, 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, 2020, non-U.S. fixed income securities represent 1.6% 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, 2020 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	**$598,608**	**$ 98,812**	**$ 86,539**		**$ 783,959**

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. 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 Plans 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. NHRS may also be positively or negatively impacted by interest rate risk due to changes in interest rates. The Plans 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 Statements 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, 2020 are summarized below (expressed in thousands):

FOREIGN CURRENCY EXCHANGE CONTRACTS PURCHASED & SOLD

	Unrealized Appreciation	Unrealized (Depreciation)
Totals	$ 3,203	$ (2,989)

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, 2020.

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, 2020 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, 2020 (expressed in thousands):

	2020				
	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)**	**Net Asset Value (NAV)**	**Unfunded Commitments**
Fixed Income:					
U.S Government Obligations (1)	$ 244,679	$ 215,618	$ 29,061		
Domestic Fixed Income (2)	918,716		918,716		
Commingled Funds (3)	804,635			804,635	
International Fixed Income (4)	98,812		98,812		
Equity:					
Domestic Equity Securities	2,780,009	2,776,347	3,662		
Commingled Funds (5)	688,796			688,796	
International Equity Securities	598,607	598,607			
Real Estate:					
Real Estate Funds (6)	967,354			967,354	175,924
Alternative Investments:					
Private Equity (7)	1,151,883			1,151,883	495,544
Private Debt (8)	572,721			572,721	216,143
Total Investments	**$ 8,826,212**	**$ 3,590,572**	**$ 1,050,251**	**$ 4,185,389**	**$ 887,611**

Notes to the table above:

(1) Fiscal 2020 rates range from 0.125% to 5.490%, and maturities from 2021 to 2050. Fiscal 2019 rates range from 0.125% to 6.000%, and maturities from 2019 to 2049.

(2) Fiscal 2020 rates range from 0.00% to 9.250%, and maturities from 2021 to 2069. Fiscal 2019 rates range from 0.000% to 10.000%, and maturities from 2019 to 2066.

(3) This represents investments in four 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 2020 rates range from 1.00% to 10.000%, and maturities from 2021 to 2050. Fiscal 2019 rates range from 0.750% to 10.000%, and maturities from 2019 to 2049.

(5) This represents investments in four 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 57 real estate vehicles consisting of 12 strategic open-end funds and 46 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, 2020.

(7) This represents 39 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 24 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.

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, 2019:

ASSET ALLOCATION		
Asset Class:	**Target**	**Policy Range**
Large Cap Equities	39.100 %	
Small Cap Equities	5.900 %	
Domestic Equity	**45.000 %**	**35–45%**
International Equity	**19.200 %**	**8–20%**
U.S. Government Bonds	1.500 %	
U.S. Short term bonds	7.800 %	
Core Fixed Income	12.500 %	
Fixed Income	**21.800 %**	**10–33%**
U.S. REITs	1.500 %	
Alternatives	10.000 %	
Alternatives	**11.500 %**	**0–33%**
Cash and cash equivalents	**2.500 %**	**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, 2019, 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 the following recurring fair value measurements as of December 31, 2019 (expressed in thousands):

	Fair Value Measurements as of December 31, 2019 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	$ 25,153				$ 25,153
International equity	11,296				11,296
Fixed income	19,920				19,920
Alternatives	1,952			5,435	7,387
	$ 58,321			$ 5,435	$ 63,756

NHJRP's alternative investments valued at NAV are subject to redemption restrictions. At December 31, 2019, the alternative investment at NAV is subject to monthly redemption with 90 days' notice. The alternative investment seeks consistent stable returns by allocation of the fund's assets

to a wide range of alternative investment strategies across the global financial markets. The fund's assets are managed primarily through investments in other corporations and other investment vehicles, as well as indirectly through segregated portfolio companies.

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 AA/Aa 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 $65.3 million and short-term investments totaled $158.9 million at June 30, 2020.

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

	Level 1	Level 2	Total	Weighted Average Maturity
Cash balance	$13,969		$13,969	Less than 1 year
Repurchase agreements		$7,166	7,166	Less than 1 year
Money market funds	79,491		79,491	Less than 1 year
Domestic equity	643		643	Less than 1 year
Mutual funds	95,072		95,072	1-5 years
Corporate bonds		14,419	14,419	1-5 years
U.S. government and agencies, other		13,486	13,486	1-5 years
Total cash, cash equivalents and short-term investments	$189,175	$35,071	$224,246	

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. Except in unusual circumstances, no more than 15% of total portfolio assets may be invested in any one actively managed strategy. If an investment manager is retained to manage more than one strategy, that manager will be limited to 20% of total portfolio assets. Passively managed investment strategies will not be limited within the portfolio; however, any one manager of passive strategies will be limited to 20% of total portfolio assets. Any manager positions exceeding these limits will be reviewed by the Finance Committee for Investments and this committee will decide the appropriate course of action to bring active manager exposures back in line with the concentration limit. Private global equity investments are limited to 20% of the endowment pool. No USNH endowment investments were denominated in foreign currencies as of June 30, 2020.

Endowment and similar investments are reported at estimated fair value in accordance with the following hierarchy. For investments classified in Level 1, the fair value is based on quoted prices (unadjusted) in active markets for identical assets that are accessible at the measurement date. Investments classified in Level 2 consist of investments that have valuations based on inputs other than quoted prices that are observable for an asset either directly or indirectly. For investments classified in Level 3 the fair value is based on unobservable inputs for an asset.

In determining fair value of investment assets, USNH utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. 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, 2020, USNH had no plans or intentions to sell such investments at amounts different from NAV. Investments reported at NAV as a practical expedient are not categorized in the fair value hierarchy.

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	Level 3		
Endowment and similar investments - campuses					
Money market	$ 36,012				$ 36,012
Domestic equity	117,869			72,443	190,312
International equity	21,330			53,440	74,770
Global fixed income	54,321				54,321
Inflation hedging assets	8,090			9,523	17,613
Hedge funds:					
Fund of Funds				5,755	5,755
Event-Driven				61,501	61,501
Equity Hedge				33,365	33,365
Distressed/Restructuring				18,297	18,297
Private equity & non-marketable real assets				41,822	41,822
Funds held in trust		15,625			15,625
Total endowment and similar investments - campuses	237,622	15,625		296,146	549,393
Endowment and similar investments - affiliated entities					
Money market	10,921				10,921
Domestic equity	17,824			44,849	62,673
International equity	16,579			39,100	55,679
Global fixed income	14,744	1,915	4,242	1,662	22,563
Inflation hedging assets	3,337	6,691		274	10,302
Hedge funds:					
Equity Hedge				21,612	21,612
Distressed/Restructuring				39,546	39,546
Diversified				4,900	4,900
Private equity & non-marketable real assets				25,330	25,330
Total endowment and similar investments - affiliated entities	63,405	8,606	4,242	177,273	253,526
Total endowment and similar investments	$ 301,027	$ 24,231	$4,242	$ 473,419	$ 802,919

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; when these are not available, 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, venture capital and distressed security strategies. Real asset funds generally hold interests in private real estate. As of June 30, 2020, fixed income securities had maturities up to 15 years and carried ratings ranging from AAA to Baa2. The mutual fund investments held in the endowment pools are not rated.

As of June 30, 2020, USNH had one equity hedge funds with lock-up period set to expire in 9 months. Fixed income, private equity and real estate funds classified as illiquid have no ability to be redeemed at this time. For USNH, of the 37 funds classified as illiquid, 12 are currently in liquidation; 1 is expected to start liquidation within the next year; 15 are expected to start liquidation in 2 to 15 years, and 9 currently have no expected liquidation dates. For UNHF, 18 funds are classified as illiquid and are expected to be liquidated over the next 1 to 11 years.

As of June 30, 2020, USNH has one outstanding investment liquidation request which has been limited by the respective fund managers. USNH's estimated fair values of these investments at June 30, 2020 are $63,000. 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 $44.3 million for USNH and $22.7 million for UNHF at June 30, 2020.

3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2020 (expressed in thousands):

	Governmental Activities	Business-Type Activities	Total	Major Component Unit
Short-Term Receivables				
Taxes:				
Meals and Rooms	$ 35,838		$ 35,838	
Business Taxes	214,083		214,083	
Tobacco	29,614		29,614	
Real Estate Transfer	14,790		14,790	
Interest & Dividends	45,025		45,025	
Communications	3,455		3,455	
Utility Property Tax	20,700		20,700	
Medicaid Enhancement Tax	995		995	
Gasoline Road Toll	9,692		9,692	
Subtotal	374,192		374,192	
Other Receivables:				
Turnpike System		$ 67,091	67,091	
Liquor Commission		5,920	5,920	
Lottery Commission		3,264	3,264	
Unemployment Trust Fund		176,029	176,029	
Internal Service Fund	13,647		13,647	
Federal Grants	528,337		528,337	$ 25,117
Local Grants	35,839		35,839	
Miscellaneous	61,596		61,596	9,018
Short Term Portion Of SRF Loans Receivable		30,138	30,138	
Short Term Portion Of Note/Pledge Receivable				4,607
Subtotal	639,419	282,442	921,861	38,742
Total Current Receivables (Gross)	1,013,611	282,442	1,296,053	38,742
Long-Term Receivables				
SRF Loans Receivable		498,980	498,980	
Miscellaneous	24,424		24,424	
Note/Pledge Receivable				18,603
Total Long Term Receivables (Gross)	24,424	498,980	523,404	18,603
Allowance for Doubtful Accounts	(56,254)	(80,687)	(136,941)	(6,434)
Total Receivables (Net)	$ 981,781	$ 700,735	$ 1,682,516	$ 50,911

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 $3.5 million for the year ended June 30, 2020.

4.CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 568,929	$ 7,620	$ (66)	$ 576,483
Construction in Progress	243,609	156,832	(146,504)	253,937
Work in Progress Computer Software	17,304	11,695	(12,136)	16,863
Total Capital Assets not being depreciated	829,842	176,147	(158,706)	847,283
Other Capital Assets:				
Equipment & Computer Software	503,547	49,026	(14,444)	538,129
Buildings & Building Improvements	986,106	33,471	(1,410)	1,018,167
Land Improvements	125,204	1,391		126,595
Infrastructure	3,970,238	116,574	(1,015)	4,085,797
Total Other Capital Assets	5,585,095	200,462	(16,869)	5,768,688
Less accumulated depreciation for:				
Equipment & Computer Software	(382,789)	(50,666)	13,211	(420,244)
Buildings & Building Improvements	(481,262)	(26,473)	897	(506,838)
Land Improvements	(102,081)	(2,234)		(104,315)
Infrastructure	(2,201,967)	(58,446)	1,013	(2,259,400)
Total Accumulated Depreciation	(3,168,099)	(137,819)	15,121	(3,290,797)
Other Capital Assets, Net	2,416,996	62,643	(1,748)	2,477,891
Governmental Activities Capital Assets, Net	$ 3,246,838	$ 238,790	$ (160,454)	$ 3,325,174
Business-Type Activities:				
Turnpike System:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 102,069			$ 102,069
Construction in Progress	78,793	15,701	(59,561)	34,933
Capital Assets not being depreciated	180,862	15,701	(59,561)	137,002
Other Capital Assets:				
Equipment & Computer Software	73,213	2,501	(47)	75,667
Buildings & Building Improvements	14,263	3,613		17,876
Land Improvements	2,003			2,003
Infrastructure	1,094,743	75,224	(207)	1,169,760
Total Other Capital Assets	1,184,222	81,338	(254)	1,265,306
Less accumulated depreciation for:				
Equipment	(56,944)	(4,623)	47	(61,520)
Buildings & Building Improvements	(3,453)	(451)		(3,904)
Land Improvements	(499)	(100)		(599)
Infrastructure	(381,629)	(22,941)	145	(404,425)
Total Accumulated Depreciation	(442,525)	(28,115)	192	(470,448)
Turnpike Capital Assets, Net	$ 922,559	$ 68,924	$ (59,623)	$ 931,860
Liquor:				
Capital Assets not being depreciated:				
Land	$ 2,002		$ (18)	$ 1,984
Construction In Progress	3,248	26	(3,168)	106
Work In Progress Computer Software	10,279	4,208	(22)	14,465
Total Capital Assets not being depreciated	15,529	4,234	(3,208)	16,555
Other Capital Assets:				
Equipment	12,381	318	(1,775)	10,924
Buildings & Building Improvements	47,404	1,813	(221)	48,996
Land Improvements	719	45	(21)	743
Total Other Capital Assets	60,504	2,176	(2,017)	60,663
Less accumulated depreciation for:				
Equipment	(9,253)	(803)	941	(9,115)
Buildings & Building Improvements	(14,364)	(1,524)	56	(15,832)
Land Improvements	(606)	5	8	(593)
Total Accumulated Depreciation	(24,223)	(2,322)	1,005	(25,540)
Liquor Capital Assets, Net	$ 51,810	$ 4,088	$ (4,220)	$ 51,678
Lottery Commission:				
Land & Buildings	2,999			2,999
Equipment	644	73		717
Less Accumulated Depreciation for Land & Buildings:	(37)	(63)		(100)
Less Accumulated Depreciation for Equipment:	(611)	(21)		(632)
Lottery Capital Assets, Net	$ 2,995	$ (11)		$ 2,984

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

Governmental Activities:	
General Government	$ 13,107
Administration of Justice and Public Protection	21,867
Resource Protection and Development	5,190
Transportation	73,509
Health and Social Services	24,026
Education	120
Total Governmental Activities Depreciation Expense	$ 137,819

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	$ 15,626	$ 1,508	$ 828	$ 17,962
Building and Building Improvements	1,834,273	38,948	(14,351)	1,858,870
Equipment	140,811	20,556	(9,041)	152,326
Construction in Progress	52,820	53,789	(40,457)	66,152
Subtotal	2,043,530	114,801	(63,021)	2,095,310
Less: Accumulated Depreciation	(926,169)	(68,831)	19,615	(975,385)
Total	$ 1,117,361	$ 45,970	$ (43,406)	$ 1,119,925

Contractual Obligations for major construction projects totaled approximately $50.0 million at June 30, 2020.

5. LONG-TERM DEBT

PRIMARY GOVERNMENT

Bonds/Notes Authorized and Unissued: Bonds/Notes authorized and unissued amounted to $660.0 million at June 30, 2020. The proceeds of the bonds/notes will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$	289.7
Federal Highway/Garvees		320.1
Turnpike System		50.2
Total	$	660.0

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, 2020
Governmental Fund Types (General Obligation Bonds):	
November 30, 2016	$12,775
Subtotal	$12,775

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, 2020, $174.9 million of TIFIA proceeds had been received under this arrangement, representing a long-term note payable. This compares to $141.1 million as of June 30, 2019. 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, 2020 was $1.7 million.

The TIFIA loan agreement also requires that the State expend certain annual amounts of the increased road toll revenues on non-federally aided highway projects in the State. In the event, the State does not meet these requirements the interest rate on the loan will increase to 2.17% until the spending requirements are met. In addition, the TIFIA loan agreement provides for a default rate of interest equal to 3.09%.

The State issued $690,000 General Obligation Capital Improvement Bonds, 2019 Series A (the "2019 Series A Bonds") on July 11, 2019. The 2019 Series A Bonds were issued to the New Hampshire Municipal Bond Bank (the "Bond Bank") as a private placement and the proceeds will be used to finance various capital projects of the State.

The State issued $80.2 million General Obligation Capital Improvement Bonds 2020 Series A on March 5, 2020, of which $74.9 million was for governmental activities and $5.3 million was for Liquor projects, through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 1.97% with 5.0% coupons on each series and with final maturity on 12/1/2039. The proceeds of this issue will be used to fund all or part of various capital projects of the State.

The State issued its $40,840,000 Turnpike System Revenue Bonds, 2019 Refunding Series (the "2019 Refunding Series Bonds") on November 14, 2019. The 2019 Refunding Series Bonds were issued to refund a portion of the outstanding Turnpike System Revenue Bonds, 2009 Series A (Federally Taxable - Build America Bonds - Direct Payment) in order to provide debt service savings to the New Hampshire Turnpike System. The issue was sold competitively and awarded to Jefferies, the underwriter with the lowest cost bid to the State. With an all-in true interest cost

(TIC) of 1.58% over its weighted average life of 8.16 years, the refunding retired $50,725,000 of outstanding bonds and resulted in present value savings of just over $9.8 million. The refunding had a net present value savings of $9.8 million and cash savings of $11.0 million on future principal and interest payments over the lifetime of the bonds.

The State does not have any other debt arrangements that need to be disclosed regarding direct placement debt or other debt related to (1) lines of credit, (2) assets pledged as collateral, (3) terms specified in debt agreements related to significant (a) events of default with financial consequences, (b) termination events with financial consequences, (c) subjective acceleration clauses.

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	$ 662,580	$ 74,882	$ 87,623	$ 649,839	$ 80,238	$ 569,601
Direct Placement Bonds Payable	28,874	690		29,564		29,564
Federal Highway Grant Anticipation Bonds	105,100		14,300	90,800	15,000	75,800
Premium on Bonds	81,775	20,306	10,915	91,166		91,166
Notes Payable	141,141	33,776		174,917		174,917
Compensated Absences	93,046	5,319	835	97,530	9,753	87,777
Claims Payable	52,588	272,408	276,318	48,678	26,763	21,915
Net Pension Liability	887,801	128,785	118,745	897,841		897,841
Other Postemployment Benefits Payable	1,801,266	14,781	112,819	1,703,228		1,703,228
Pollution Remediation Obligation	66,921	14,525	8,986	72,460	11,699	60,761
Capital Lease	15,662	3,244	1,981	16,925	3,511	13,414
Total Governmental	$ 3,936,754	$ 568,716	$ 632,522	$ 3,872,948	$ 146,964	$ 3,725,984
Business-Type Activities						
Turnpike System						
Revenue Bonds	$ 350,585	$ 51,357	$ 84,250	$ 317,692	$ 24,145	$ 293,547
Pollution Remediation Obligation	3,742	1,131	6	4,867	686	4,181
Claims & Compensated Absences Payable	2,749	1,281	459	3,571	1,616	1,955
Other Postemployment Benefits Payable	27,661	660	5,587	22,734		22,734
Net Pension Liability	10,719	1,370	1,530	10,559		10,559
Total	$ 395,456	$ 55,799	$ 91,832	$ 359,423	$ 26,447	$ 332,976
Liquor Commission						
General Obligation Bonds Payable	$ 36,058	$ 5,294	$ 2,762	$ 38,590	$ 3,078	$ 35,512
Capital Lease	183		90	93	93	
Claims & Compensated Absences Payable	4,707	580		5,287	846	4,441
Other Postemployment Benefits Payable	53,078	570	3,914	49,734		49,734
Net Pension Liability	22,984	3,411	2,931	23,464		23,464
Total	$ 117,010	$ 9,855	$ 9,697	$ 117,168	$ 4,017	$ 113,151
Lottery Commission						
Claims & Compensated Absences Payable	$ 518	$ 450	$ 378	$ 590	$ 61	$ 529
Mortgage Loan Payable	2,922		107	2,815	111	2,704
Other Postemployment Benefits Payable	13,560		1,122	12,438		12,438
Net Pension Liability	3,789	524	478	3,835		3,835
Total	$ 20,789	$ 974	$ 2,085	$ 19,678	$ 172	$ 19,506
State Revolving Fund Programs						
General Obligation Bonds Payable	$ 13,304		$ 2,077	$ 11,227	$ 2,072	$ 9,155
Claims & Compensated Absences Payable	1,089	130		1,219	122	1,097
Other Postemployment Benefits Payable	5,394	9	189	5,214		5,214
Net Pension Liability	5,691	777	746	5,722		5,722
Total	$ 25,478	$ 916	$ 3,012	$ 23,382	$ 2,194	$ 21,188
Total Business-Type	$ 558,733	$ 67,544	$ 106,626	$ 519,651	$ 32,830	$ 486,821

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

Bond and Revenue Anticipation Notes: In general, the State Treasurer, with the approval of the Governor and Council, is authorized to issue bond anticipation notes maturing within five years of their dates of issue. Refunding notes must be paid within five years of the dates of issue of the original notes. Also, to the extent monies in the General Fund, Highway Fund, or Fish and Game Fund are at any time insufficient for the payment of obligations payable from such funds, the State Treasurer, under the direction of the Governor and Council, is authorized to issue notes to provide funds to pay such obligations. Outstanding revenue anticipation notes issued for the General Fund may not exceed $200 million; for the Highway Fund, $15 million; and for the Fish and Game Fund, $0.5 million. As of June 30, 2020, the State had no bond or revenue anticipation notes outstanding.

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 several 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 $72.5 million and $4.9 million were reported for governmental activities and business-type activities, respectively, at June 30, 2020. 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			
							Liquor Commission	SRF Funds	Turnpike System				
Payable June 30,	General Fund	Direct Placement	Highway Fund	Federal Highway (GARVEE)	Self Supporting	Total	General Obligations	General Obligations	Revenue	Principal	Interest	Less: Federal Interest Subsidy	Net Total
2021	$ 63,273		$ 8,954	$ 15,000	$ 8,011	**$ 95,238**	$ 3,078	$ 2,072	$ 24,145	$ 124,533	$ 49,836	$ 6,383	**$ 167,986**
2022	56,022	1,295	9,967	14,400	7,960	**89,644**	2,974	2,072	26,285	120,975	44,188	6,037	**159,126**
2023	49,795		9,101	14,790	7,100	**80,786**	2,769	2,072	21,650	107,277	38,439	5,471	**140,245**
2024	46,958		8,987	15,145	7,071	**78,161**	2,455	557	18,795	99,968	33,565	4,835	**128,698**
2025	43,684		8,707	15,530	6,953	**74,874**	2,760	557	12,840	91,031	28,798	4,184	**115,645**
2026-2030	142,308	10,975	26,880	15,935	30,027	**226,125**	11,972	1,894	58,090	298,081	94,895	12,646	**380,330**
2031-2035	60,207	13,829	12,564		3,570	**90,170**	8,459	1,669	51,290	151,588	45,200	5,812	**190,976**
2036-2040	23,819	3,465	6,652		1,269	**35,205**	4,123	334	64,735	104,397	15,651	2,108	**117,940**
2041-2045									18,100	18,100	1,105		**19,205**
Subtotal	**486,066**	**29,564**	**91,812**	**90,800**	**71,961**	**770,203**	**38,590**	**11,227**	**295,930**	**1,115,950**	**351,677**	**47,476**	**1,420,151**
Unamortized (Discount) / Premium	89,074	2,092				91,166			21,762	112,928			**112,928**
Total	**$ 575,140**	**$ 31,656**	**$ 91,812**	**$ 90,800**	**$ 71,961**	**$861,369**	**$ 38,590**	**$ 11,227**	**$ 317,692**	**$ 1,228,878**	**$351,677**	**$ 47,476**	**$ 1,533,079**

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 2020, 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 2020 were $24.0 million, of which $10.7 million were recorded as current year expenses and $13.3 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 $432.4 million; capital lease obligations of $6.6 million; deferred obligations interest swaps of $29.3 million; accrued employee benefits and compensated absences of $31.2 million; other postemployment benefits of $90.5 million; and other liabilities of $24.2 million (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	$626,116	$29,209	$41,229	$614,096	$38,683	$575,413

* Current portion includes $283 thousand reported as accounts payable.

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
2021	25,400	16,384	41,784
2022	28,760	15,320	44,080
2023	23,902	14,277	38,179
2024	24,598	13,350	37,948
2025	25,675	12,381	38,056
2026-2030	94,132	49,733	143,865
2031-2035	102,090	29,729	131,819
2036-2040	53,310	11,946	65,256
2041-2045	26,840	4,757	31,597
2046-2047	7,820	217	8,037
Subtotal	412,527	168,094	580,621
Unamortized Discounts/Premium, net	26,466		26,466
Total	$438,993	$168,094	$607,087

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, 2020 are as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Primary Government
Deferred outflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	$ 136,905	$ 7,677	$ 144,582
New Hampshire Judicial Retirement Plan	3,603		3,603
Total pension related amounts	140,508	7,677	148,185
OPEB related amounts:			
Trusted OPEB Plan	9,479		9,479
Non Trusted OPEB Plan	46,454	3,228	49,682
Total OPEB related amounts	55,933	3,228	59,161
Loss on refunding of debt, net	10,282	533	10,815
Total deferred outflows of resources	$ 206,723	$ 11,438	$ 218,161
Deferred inflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	$ (66,434)	$ (5,315)	$ (71,749)
New Hampshire Judicial Retirement Plan	(2,877)		(2,877)
Total pension related amounts	(69,311)	(5,315)	(74,626)
OPEB related amounts:			
Trusted OPEB Plan	(259)		(259)
Non Trusted OPEB Plan	(645,109)	(41,980)	(687,089)
Total OPEB related amounts	(645,368)	(41,980)	(687,348)
Total deferred inflows of resources	$ (714,679)	$ (47,295)	$ (761,974)

The components of deferred inflows of resources related to the governmental funds at June 30, 2020 are as follows (expressed in thousands):

	General	Highway	Education	Total Governmental Funds
Deferred inflows of resources:				
Taxes considered unavailable	$ 111,358		$ 83,707	$ 195,065
Local assistance	11,163			11,163
Other loans	985			985
Indigent representation advances	2,160			2,160
Banking assessments	1,223			1,223
Miscellaneous fees & fines	3,158	1,385		4,543
Total deferred inflows of resources	$ 130,047	$ 1,385	$ 83,707	$ 215,139

MAJOR COMPONENT UNIT

The University System of New Hampshire's deferred outflows and deferred inflows of resources at June 30, 2020 are as follows (expressed in thousands):

Deferred outflows of resources:		**Deferred inflows of resources:**	
Accumulated decrease in fair value of hedging derivatives	$29,262	Accounting gain on debt financing, net	$150
Accounting loss on debt refinancing, net	7,646	Annuities unconditional remainder interest	1,348
Changes of assumptions:		Changes of assumptions:	
Operating Staff Retirement Plan	250	Postretirement Medical Plan	7,243
Postretirement Medical Plan	6,613	Additional Retirement Contribution Program	31
Additional Retirement Contribution Program	69	Net Difference between projected and actual earnings:	
Net Difference between projected and actual earnings:		Operating Staff Retirement Plan	44
Operating Staff Retirement Plan	168	Difference between expected and actual experience:	
Difference between expected and actual experience:		Operating Staff Retirement Plan	145
Postretirement Medical Plan	733	Postretirement Medical Plan	1,031
Benefit payments subsequent to the measurement date:		Additional Retirement Contribution Program	482
Postretirement Medical Plan	2,558		
Additional Retirement Contribution Program	$168		
Asset retirement obligations	$1,308		
Total deferred outflows of resources	$48,775	**Total deferred inflows of resources**	$10,474

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, 2020, 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 the self-funded benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve, which totaled $16 million as of June 30, 2020. In addition, state law requires the Fund to maintain a reserve in the amount of at least 3% of estimated annual self-funded claims and administrative costs, for unexpected costs. For fiscal year 2020, 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 67% of the estimated annual claims and administrative expenses for the Trooper health plan account due to its small member size (approximately 830 members), which equaled $2.7 million for fiscal year 2020. The Active (without Trooper), Retiree, and

Dental reserves totaled $10.4 million, $4.1 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 2020 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 $33.1 million as of June 30, 2020.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2019 and 2020 (expressed in thousands):

Governmental Activities	6/30/2018 Balance	Increases	Decreases	6/30/2019 Balance	Increases	Decreases	6/30/2020 Balance	Current	Long-Term
Workers Compensation Claims Payable	$ 26,752	$ 10,783	$ 8,099	$ 29,436	$ 3,257	$ 4,899	$ 27,794	$ 5,879	$ 21,915
Health Claims Payable*	19,495	292,557	288,900	23,152	269,151	271,419	20,884	20,884	
Total	46,247	303,340	296,999	52,588	272,408	276,318	48,678	26,763	21,915
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable	1,526	390	324	1,592	1,989	1,244	2,337	1,493	844
Total	1,526	390	324	1,592	1,989	1,244	2,337	1,493	844
Liquor Commission									
Workers Compensation Claims Payable	1,993	869	377	2,485	970	510	2,945	612	2,333
Total	1,993	869	377	2,485	970	510	2,945	612	2,333
Lottery Commission									
Workers Compensation Claims Payable	8	4	1	11		9	2		2
Total	8	4	1	11		9	2		2
Total Business-Type	$ 3,527	$ 1,263	$ 702	$ 4,088	$ 2,959	$ 1,763	$ 5,284	$ 2,105	$ 3,179

* 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, 2020 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$ 216	Turnpike System	$ 216
General Fund	1,923	Unemployment Compensation	1,923
General Fund	19,840	Liquor Commission	19,840
General Fund	48,223	Non-Major Fund	48,223
Non-Major Fund	655	Liquor Commission	655
Liquor Commission	71	General Fund	71
Turnpike System	44	General Fund	44
Turnpike System	61	Highway Fund	61
Turnpike System	192	Liquor Commission	192
Education Fund	1,925	Lottery Commission	1,925
Lottery Commission	359	Liquor Commission	359
Total	$ 73,509	Total	$ 73,509

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 $24.4 million from business-type activities represents the "internal balances" amount on the statement of net position. The $48.2 million between governmental funds, and the $0.6 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 From	Transferred To: General Fund	Transferred To: Highway Fund	Transferred To: Education Fund	Transferred To: Non-Major Funds	Total Governmental Fund
Governmental Funds					
General Fund		31,388	68,100	1,476	100,964
Highway Fund	$ 3,314				$ 3,314
Non-Major Funds	4,211				4,211
Total Governmental Funds	* 7,525	* 31,388	68,100	* 1,476	* 108,489
Proprietary - Enterprise Funds					
Liquor Commission	154,982				154,982
Lottery Commission			99,790		99,790
Unemployment Compensation	13,999				13,999
Total Proprietary - Enterprise Funds	$ 168,981		$ 99,790		$ 268,771

* 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 $99.8 million to fund education
- Transfer of Liquor Commission profits of $144.9 million to the General Fund for government operations and $10.0 million to the general fund pursuant to RSA 176:16, III for the Alcohol Abuse Prevention and Treatment Fund.

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 OHRV license fees of $4.2 million to the General Fund for Natural and Culture Resources.

Transfer of Unemployment Compensation Contingency Fund of $13.9 million to the General Fund.

Pursuant to HB4, $68.1 million was transferred from the General Fund to the Education Trust fund and $4.0 million was transferred from the General Fund to the Highway fund.

Consistent with HB3, funding of $27.4 million from the General Fund was transferred to support the Highway Fund.

10. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $76.1 million at June 30, 2020. This represents total obligations of $212.8 million less $136.7 million in estimated federal aid.

Other Contractual Commitments: Encumbrances by fund for the State at June 30, 2020, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	$ 73.1
Highway Fund	6.8
Non-Major Governmental Funds	0.4
	$ 80.3

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 10.88% of gross payroll for Group I members, 26.43% of gross payroll for Group II firefighter members, and 24.77% of gross payroll for Group II police officer members.

The State's required and actual contributions for the year ended June 30, 2020 were $92.6 million, which included an amount for other postemployment benefits of $9.3 million.

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

As of June 30, 2020, the State reported a liability of $904.4 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll the total pension liability forward to June 30, 2019. 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 18.80%, which was a increase of 38 basis points from its proportion measured as of the previous measurement date. For the year ended June 30, 2020, the State recognized total pension expense of $102.4 million.

As of June 30, 2020, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to pensions in the primary government of $61.3 million (excluding $83.3 million in contributions subsequent to the measurement date) and $71.8 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		$ (7,387)
Differences between expected and actual experience	5,000	(19,446)
Changes in assumptions	32,448	
Changes in employer proportion	21,411	(42,495)
Changes in internal proportion	2,421	(2,421)
Contributions subsequent to the measurement date	83,302	
Total	$ 144,582	$ (71,749)

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, 2021. 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)
2021	$17,831
2022	(24,158)
2023	(9,045)
2024	4,903
	$(10,469)

Actuarial Assumptions: NHRS total pension liability, measured as of June 30, 2019, was determined by a roll forward of the actuarial valuation as of June 30, 2018, 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 with creditability 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, 2018 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 2019:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return: 2019
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 %	6.00 %
Total international equity	20.00 %	
Core Bonds	9.00 %	1.12 %
Global Multi-Sector Fixed Income	10.00 %	2.46 %
Absolute return fixed income	6.00 %	1.50 %
Total fixed income	25.00 %	
Private equity	10.00 %	7.90 %
Private debt	5.00 %	4.86 %
Total alternative investments	15.00 %	
Real estate	10.00 %	3.00 %
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, 2019 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%
$1,211.0	$904.4	$650.9

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

	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Business-type Activities	Primary Government
Proportionate share of Statewide amount	95.18 %	1.17 %	2.60 %	0.42 %	0.63 %	4.82 %	100.00 %
Net pension liability	$ 860,774	$ 10,559	$ 23,464	$ 3,835	$ 5,722	$ 43,580	$ 904,354
Pension expense	97,642	971	2,748	363	699	4,781	102,423
Deferred outflows of resources representing contributions subsequent to the measurement date	79,289	942	2,165	378	528	4,013	83,302
Deferred outflows of resources representing the changes in employer proportion	20,379	250	556	91	135	1,032	21,411
Deferred outflows of resources representing changes in assumptions	30,884	379	842	138	205	1,564	32,448
Deferred outflows of resources representing the differences between expected and actual experience	4,759	58	130	21	32	241	5,000
Deferred inflows of resources representing the differences between expected and actual experience	(18,509)	(227)	(505)	(82)	(123)	(937)	(19,446)
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	(7,031)	(86)	(192)	(31)	(47)	(356)	(7,387)
Deferred inflows of resources representing the changes in employer proportion	(40,447)	(496)	(1,103)	(180)	(269)	(2,048)	(42,495)
Deferred outflows of resources representing change in proportion within the entity	1,594	426	244	28	129	827	2,421
Deferred inflows of resources representing change in proportion within the entity	(447)	(1,407)	(264)	(240)	(63)	(1,974)	(2,421)
Amortization of deferred amounts:							
2020	17,127	(15)	553	4	162	704	17,831
2021	(22,514)	(593)	(726)	(197)	(128)	(1,644)	(24,158)
2022	(8,172)	(491)	(251)	(79)	(52)	(873)	(9,045)
2023	4,741	(4)	132	17	17	162	4,903
Total	(8,818)	(1,103)	(292)	(255)	(1)	(1,651)	(10,469)
Sensitivity analysis:							
Net pension liability at 6.25% discount rate	1,152,612	14,139	31,419	5,136	7,662	58,356	1,210,968
Net pension liability at 8.25% discount rate	619,572	7,600	16,889	2,761	4,119	31,369	650,941

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, 2019, the following members were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	74
Inactive members entitled to but not yet receiving benefits	1
Active or vested members	57
Total members	132

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. The State's required contribution rate was 75.4% of the member's salary for the period July 1, 2017 through June 30, 2019. Effective July 1, 2019, the State's required contribution rate was 69.4% of the member's salary. For the year ended June 30, 2020, State contributions to the NHJRP totaled $6.9 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2020, the State reported a net pension liability of $37.1 million for the NHJRP. The NHJRP's net pension liability was measured as of December 31, 2019. 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, 2019 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, 2019	$99,062	$55,050	$44,012
Changes for the year:			
Service cost	4,008		4,008
Interest on total pension liability	6,635		6,635
Effect of differences between expected and actual experience			
Effect of changes in actuarial assumptions			
Benefit payments	(7,452)	(7,452)	
Employer contributions		6,948	(6,948)
Member contributions		812	(812)
Net investment income		10,042	(10,042)
Administrative expenses		(214)	214
Balances as of December 31, 2018	$102,253	$65,186	$37,067

For the year ended June 30, 2020, the State recognized pension expense of $4.8 million for the NHJRP. As of June 30, 2020, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to the NHJRP of $0.3 million (excluding $3.3 million in contributions subsequent to the measurement date) and $2.9 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		$ (2,252)
Net difference between expected and actual experience		(625)
Change in assumptions	277	
Contributions subsequent to the measurement date	3,326	
Total	$ 3,603	$ (2,877)

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, 2021. 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)
2021	$ (880)
2022	(616)
2023	179
2024	(1,283)
	$ (2,600)

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	2.25%
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 2019:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	2.575 %	0.39 %
Core Fixed Income	12.500 %	2.26 %
U.S. Government Bonds	1.475 %	1.67 %
U.S. REITs	1.475 %	3.76 %
Large Cap US Equities	39.075 %	3.62 %
Small Cap US Equities	5.900 %	4.11 %
International equity	19.200 %	4.84 %
U.S. Short Bonds	7.800 %	1.58 %
Alternatives	10.000 %	1.66 %

Discount Rate: The single discount rate used to measure the collective total pension liability was 6.675%, which is the same rate used for the prior year measurement of total pension liability. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the NHJRP's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table illustrates the sensitivity of the NHJRP's net pension liability to changes in the discount rate. In particular, the table presents the net pension liability of NHJRP, calculated using the discount rate of 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%
$46,407	$37,067	$28,982

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 1.05% of gross payroll for Group I members, 3.66% of gross payroll for Group II firefighter members, and 3.66% 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 $9.3 million in fiscal year 2020 and $9.5 million in fiscal year 2019.

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

At June 30, 2020, the State reported a liability of $90.4 million for its proportionate share of the net Trusted OPEB Plan liability. The net Trusted OPEB Plan liability was measured as of June 30, 2019, 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 30,2018 and rolled forward to June 30, 2019. The roll-forward procedures reflect expected service costs and interest reduced by actual benefit payments and refunds for the plan year. 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 20.62 percent. For the year ended June 30, 2020, the State recognized OPEB expense of $8.8 million.

As of June 30, 2020, The State reported deferred outflows and inflows of resources on its government-wide financial statements related to OPEB in the primary government of $0.2 million (excluding $9.3 million in contributions subsequent to the measurement date) and $0.3 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		$ (102)
Differences between expected and actual experience		(157)
Changes in employer proportion	220	
Contributions subsequent to the measurement date	9,259	
Total	$ 9,479	$ (259)

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, 2021. 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)
2021	$(5)
2022	(67)
2023	7
2024	26
	$(39)

Actuarial Assumptions: The total Trusted OPEB Plan liability, measured as of June 30, 2019, was determined by a roll forward of the actuarial valuation as of June 30, 2018, 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 for determining solvency contributions
Healthcare cost trend rates	N/A - benefits are fixed cash stipends

Mortality rates were based on the RP-2014 Healthy Annuitant Employee generational mortality tables for males and females with credibility 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, 2018 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 2019:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return: 2019
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 %	6.00 %
Total international equity	20.00 %	
Core Bonds	9.00 %	1.12 %
Global Multi-Sector Fixed Income	10.00 %	2.46 %
Absolute return fixed income	6.00 %	1.50 %
Total fixed income	25.00 %	
Private equity	10.00 %	7.90 %
Private debt	5.00 %	4.86 %
Total alternative investments	15.00 %	
Real estate	10.00 %	3.00 %
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, 2019 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%
$ 98,073	$ 90,417	$ 83,768

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 benefit 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 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 $11.0 million, $11.4 million and $12.0 million, respectively, for the fiscal years ended June 30, 2020, 2019 and 2018. 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, 2018 the following employees were covered by the benefit terms:

Retired members and beneficiaries currently receiving benefits	12,396
Retired employees entitled to but not yet receiving benefit payments	463
Active employees	10,374
	23,233

Total OPEB Liability

The primary government's proportionate share of the total Non Trusted OPEB Plan liability of $1,702.9 million was measured as of June 30, 2019, and was determined by an actuarial valuation as of December 31, 2018, 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 94.85%, which was a increase from 94.69% as of the previous measurement date.

Changes in the total OPEB Liability: The total OPEB liability at June 30, 2020 is $1,795.5 million of which the primary government's proportionate share is $1,702.9 million.

(dollars in thousands)	Total OPEB Liability
Balance at 6/30/18	$ 1,909,989
Changes for the year:	
Service cost	63,317
Interest	75,265
Differences between expected and actual experience	(24,533)
Changes in assumptions	(177,243)
Changes in benefit terms	
Benefit payments	(51,333)
Net changes	(114,527)
Balance at 6/30/19	$ 1,795,462

Actuarial Assumptions and other inputs: The total Non Trusted OPEB Plan liability in the December 31, 2018 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	3.50% as of June 30, 2019
Healthcare cost trend rates	Medical: Non-Medicare: 6.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Medicare: -12.2% for one year then 4.5% per year. First-year Medicare medical trend reflects known Medicare Advantage rate guarantees through 2020
	Prescription Drug: Non-Medicare: 8.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Medicare: 7.0% decreasing by 0.25% 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. Because the January 1, 2019 Non-Medicare working rates were temporarily reduced to spend down reserves, an additional adjustment was applied in the first year to bring the rates back to the unsubsidized level.

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. This determination is in accordance with GASB Statement No 75.

Other changes in assumptions reflect 1) the per capital health cost and administrative expenses based on more recent data, 2) health care cost trends were updated to better reflect experience and future expectations, 3) the projections of the excise tax on high cost health plans beginning in 2022 was revised, 4) discount rate was decreased to 3.50%, 5) the marriage assumption for future retirees was lowered from 75% to 70%.

Mortality rates were based on the RP-2014 Employee /Healthy Annuitant /Disabled Retiree Mortality Tables projected generationally for males and females with Scale MP-2015. The assumptions used in the December 31, 2018 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.

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, 2019 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	Current Discount Rate	1% Increase
$1,975,143	$1,702,931	$1,475,994

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, 2019, 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
$1,406,615	$1,702,931	$2,087,572

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

For the year ended June 30, 2020, the primary government recognized OPEB expense of $(70.1) million. As of June 30, 2020, the primary government reported deferred outflows and inflows of resources on its government-wide financial statements related to the Non Trusted OPEB Plan of $7.4 million (excluding $42.3 million in contributions subsequent to the measurement date) and $687.1 million, respectively, from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ (27,178)
Changes in assumptions		(654,402)
Changes in employer proportion	7,415	(5,509)
Contributions subsequent to the measurement date	42,267	
Total	$ 49,682	$ (687,089)

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, 2021. 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)
2021	$ (201,232)
2022	(201,232)
2023	(201,232)
2024	(75,978)
	$ (679,674)

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	89.83 %	1.27 %	2.77 %	0.69 %	0.29 %	5.02 %	94.85 %
Total OPEB liability	$ 1,612,811	$22,734	$ 49,734	$ 12,438	$ 5,214	$ 90,120	$1,702,931
OPEB expense	(65,464)	(1,483)	(2,420)	(653)	(72)	(4,628)	(70,092)
Deferred outflows of resources representing contributions subsequent to the measurement date	40,031	564	1,234	309	129	2,236	42,267
Deferred inflows of resources representing changes in assumptions	(618,470)	(9,731)	(19,356)	(4,937)	(1,908)	(35,932)	(654,402)
Deferred inflows of resources representing the differences between expected and actual experience	(25,719)	(379)	(797)	(201)	(82)	(1,459)	(27,178)
Deferred outflows of resources representing change in proportion within the entity	6,423	479			513	992	7,415
Deferred inflows of resources representing change in proportion within the entity	(920)	(2,781)	(1,275)	(533)		(4,589)	(5,509)
Amortization of deferred amounts:							
2021	(189,253)	(3,545)	(6,330)	(1,662)	(442)	(11,979)	(201,232)
2022	(189,253)	(3,545)	(6,330)	(1,662)	(442)	(11,979)	(201,232)
2023	(189,253)	(3,545)	(6,330)	(1,662)	(442)	(11,979)	(201,232)
2024	(70,927)	(1,777)	(2,438)	(685)	(151)	(5,051)	(75,978)
Total	(638,686)	(12,412)	(21,428)	(5,671)	(1,477)	(40,988)	(679,674)
Sensitivity analysis:							
Total OPEB liability at -1% discount rate	1,870,956	25,696	58,076	14,362	6,053	104,187	1,975,143
Total OPEB liability at +1% discount rate	1,397,618	20,108	42,964	10,842	4,462	78,376	1,475,994
Total OPEB liability at - 1% healthcare cost trend rates	1,331,552	18,929	41,470	10,583	4,081	75,063	1,406,615
Total OPEB liability at + 1% healthcare cost trend rates	$ 1,977,945	$27,650	$ 60,417	$ 14,815	$ 6,745	$ 109,627	$2,087,572

	Pease Development Authority	Community Development Finance Authority	Community College System of New Hampshire	Component Units	Total Government
Proportionate share of Statewide amount	0.29 %	0.02 %	4.84 %	5.15 %	100.00 %
Total OPEB liability	$ 5,278	$ 283	$ 86,970	$ 92,531	$ 1,795,462
OPEB expense	(359)	(11)	(3,869)	(4,239)	(74,331)
Deferred outflows of resources representing contributions subsequent to the measurement date	131	7	2,159	2,297	44,564
Deferred inflows of resources representing changes in assumptions	(2,358)	(110)	(34,083)	(36,551)	(690,953)
Deferred inflows of resources representing the differences between expected and actual experience	(90)	(5)	(1,398)	(1,493)	(28,671)
Deferred outflows of resources representing change in proportion within the entity	396	7	582	985	8,400
Deferred inflows of resources representing change in proportion within the entity	(1,034)	(6)	(1,851)	(2,891)	(8,400)
Amortization of deferred amounts:					
2021	(868)	(34)	(10,778)	(11,680)	(212,912)
2022	(868)	(34)	(10,778)	(11,680)	(212,912)
2023	(868)	(34)	(10,778)	(11,680)	(212,912)
2024	(482)	(12)	(4,416)	(4,910)	(80,888)
Total	(3,086)	(114)	(36,750)	(39,950)	(719,624)
Sensitivity analysis:					
Total OPEB liability at -1% discount rate	6,065	321	98,995	105,381	2,080,524
Total OPEB liability at +1% discount rate	4,586	249	76,646	81,481	1,557,475
Total OPEB liability at - 1% healthcare cost trend rates	4,246	241	73,861	78,348	1,484,963
Total OPEB liability at + 1% healthcare cost trend rates	6,645	335	103,644	110,624	2,198,196

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	$ 860,774	$ 10,559	$ 23,464	$ 3,835	$ 5,722	$ 43,580		$ 57,153	$ 57,153
New Hampshire Judicial Retirement Plan	37,067								
Net Pension Liability	$ 897,841	$ 10,559	$ 23,464	$ 3,835	$ 5,722	$ 43,580		$ 57,153	$ 57,153
OPEB									
Trusted OPEB Plan	$ 90,417							$ 4,796	$ 4,796
Non Trusted OPEB Plan	1,612,811	22,734	49,734	12,438	5,214	90,120		92,531	92,531
Other *							86,131		86,131
Post Employment Benefits Payable	$ 1,703,228	$ 22,734	$ 49,734	$ 12,438	$ 5,214	$ 90,120	$ 86,131	$ 97,327	$ 183,458

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

Summary of Employee Benefit Plans Expense:

(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 Expense									
New Hampshire Retirement System	97,642	971	2,748	363	699	4,781		3,324	3,324
New Hampshire Judicial Retirement Plan	4,846								
Pension Expense	102,488	971	2,748	363	699	4,781		3,324	3,324
OPEB Expense									
Trusted OPEB Plan	8,807							56	56
Non Trusted OPEB Plan	(65,464)	(1,483)	(2,420)	(653)	(72)	(4,628)		(4,239)	(4,239)
Other *							4,237		4,237
Post Employment Benefits Expense	(56,657)	(1,483)	(2,420)	(653)	(72)	(4,628)	4,237	(4,183)	54

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 $70.5 million of financial guarantees outstanding and statutory limits as of June 30, 2020 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2020 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	76,829	$ 15,289	$ 2,882	$ 18,171
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	80	20,080
Business Finance Authority (BFA) - Additional State Guarantee	162-A:7-a:162-A:13-c	4,000	**			
Business Finance Authority (BFA) - Additional State Guarantee	162-A:8; 162-A:10; 162-A:13; 162-A:13-a; 162-A:13-b			20,716		20,716
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-a; 162-I:9-b	45,000	** 62,700	11,556	13	11,569
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	115,000	* 30,000	52,272	93	52,365
Business Finance Authority (BFA) - Additional State Guarantee	Laws of 2019 CH 346	30,000				
Pease Development Authority - Guarantees for Loans	12-G:31	70,000	13,900			
Pease Development Authority - Guarantees for Development	12-G:33					
Housing Finance Authority - Child Care Loans	204-C:79	300	300			
Totals		$ 390,300	$ 263,729	$ 67,561	$ 2,975	$ 70,536

* Plus Interest

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

13. LEASE COMMITMENTS

OPERATING LEASES

The State has lease commitments for equipment and space requirements which are accounted for as operating leases. Rental expenditures for fiscal year 2020 for governmental activities and business-type activities were approximately $25.6 million and $10.0 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, 2020 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2021	$9,280	$7,371
2022	8,567	7,508
2023	6,590	7,288
2024	6,078	6,746
2025	5,637	6,063
2026-2030	13,367	14,990
2031-2035		8,769
2036-2040		5,818
2041-2045		43
Total	$49,519	$64,596

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, 2020 are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2021	$ 3,511	$ 104
2022	3,339	
2023	3,008	
2024	2,746	
2025	2,413	
2026-2030	5,962	
2031-2035	369	
Total	21,348	104
Amount Representing Interest	(4,423)	(11)
Present Value of Minimum Lease Payments	$ 16,925	$ 93

The assets acquired through capital leases and included in capital assets at June 30, 2020 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$ 5,042	
Buildings & Building Improvements	15,363	1,563
Total	20,405	1,563
Less: Accumulated Depreciation	(3,851)	(1,320)
Net	$ 16,554	$ 243

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.

As a result of the statutory deadline of December 15th for the current fiscal year tax credit reporting, the state has elected to disclose tax credit amounts and number of applicable taxpayers for the previous fiscal year. Fiscal year 2020 credits reported for the existing programs and any newly established tax credit programs are not expected to have a material impact on the state's financial position.

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-A, the Business Profits Tax (BPT). Any unused portion may 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 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 47 taxpayers and used to offset a tax liability on the New Hampshire BPT return, BET return, or both.

Tax returns filed in fiscal year 2019: The tax credit used against BPT, BET, or both totaled $610,000. 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. The program was extended to the I&D Tax and a five year carryforward provision was added only for the BPT and BET, effective July 1, 2018.

This tax credit is not a "cascading" credit.. 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, and/or I&D returns. 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 74 taxpayers and used to offset a tax liability on the New Hampshire BET, BPT, and I&D returns.

Tax returns filed in fiscal year 2019: The tax credit used against BPT, BET and I&D totaled $1,009,000. The maximum aggregate credit amount allowable for all taxpayers was $5,100,000.

15. LITIGATION AND OTHER MATTERS

The State, its agencies, officials and employees are defendants in numerous 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. Immaterial provisions, if appropriate, for such ultimate liability has been made in the financial statements. Notable cases that could potentially result in a material transaction are described herein.

Department of Health and Human Services (DHHS)

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. DCYF has filed motions to dismiss based on statute of limitations and sovereign immunity defenses. Those motions were initially denied. DCYF moved for reconsideration on one of them, which was granted, and further briefing on that motion to dismiss has been submitted to the court. DCYF subsequently won the motion to dismiss, leaving only the wrongful death claim in the case, which is capped at $475 thousand. Interlocutory appeal of the dismissal was sought and granted by the New Hampshire Supreme Court. The New Hampshire Supreme Court vacated the lower court's order in light of a decision in another case involving DCYF on appeal. The case will return to the lower court for further proceedings and briefing of the impact of the newly decided case on this case. At present, it is not possible to predict an outcome of this case.

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

DCYF is currently defending or 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 meet the level determined by the state for disclosure in the financial statements. Cumulatively, however, the aggregate of the claims may exceed this level. Four of these lawsuits have recently been filed in Merrimack County Superior Court. These lawsuits have all been stayed pending the outcome of several cases pending with the New Hampshire Supreme Court. If legal issues presented in those cases are resolved in the State's favor, the result may be dismissal of the actions. Ultimately, it is not possible to predict an outcome of any of these 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 were filed. In response, the plaintiff and the intervenors amended their complaints. More plaintiffs entered the case through the amended complaint and asserted claims against certain of the intervenor hospitals for false imprisonment. The intervenor hospitals added a Fourth Amendment unreasonable seizure claim into their complaint against the State. The State subsequently moved to dismiss the amended complaint and amended complaint-in-intervenor on substantially the same grounds on September 16, 2019. Thereafter, three of the four hospitals that had been sued for false imprisonment answered the plaintiffs' amended complaint. Two of those hospitals included cross-claims for indemnification, contribution, and a violation of certain provisions of NH RSA 135-C. The cross-claims have been dismissed on Eleventh Amendment immunity grounds. The motions to dismiss were finally briefed on January 17, 2020. On April 30, 2020 and May 1, 2020, the district court denied the Commissioner's motions to dismiss and subsequently granted the plaintiffs' class certification. In doing so, the district court interpreted RSA 135-C in a manner contrary to how it has been implemented by the State. As a result, different state circuit courts have begun reading the statute differently and reaching different outcomes as to whether a person has timely received a probable causes hearing under the involuntary emergency commitment statutes.

In order to try to fix this system issue, the State and the Hospital intervenors have been attempting to negotiate a resolution for the past several months. The arrangement as presently conceived, but not yet finalized, would have the Commissioner enter into temporary contractual arrangements with the Hospitals pursuant to RSA 135-C:3. These temporary agreements would permit the State to facilitate telephonic involuntary emergency admission probable cause hearings in hospital facilities for a temporary period of time (until December 31, 2020). The State would agree to pay the hospitals a reasonable fee for the use of the facility for that purpose, would agree to indemnify the hospitals pursuant to RSA 99-D:8, I, and would ensure the presence of law enforcement personnel at probable cause hearings occurring from hospital facilities or reimburse hospitals for employing their own security for those hearings. During the duration of these temporary agreements, the Commissioner will work to add additional capacity into the state mental health system. The goal of this increased capacity is to decrease the involuntary emergency admission waitlist and, hopefully, eliminate it. Probable cause hearings will then be able to be held from New Hampshire Hospital or a DRF facility and the issues raised in the plaintiffs' lawsuit, if not rendered moot, will become largely academic. The plaintiff class has not agreed to this settlement approach. They would prefer persons subject to involuntary emergency admission certificates to receive video conference probable cause hearings, as opposed to telephonic hearings. The Commissioner has filed motions for judgment on the pleadings on sovereign immunity grounds. These motions are pending and awaiting resolution.

While this case presents issues of declaratory and injunctive relief only, in order to fix the involuntary emergency admission process, the State will incur over $1 million. The settlement being negotiated will most likely cost the State over $1 million, through fee payments, building of new capacity into the mental system, and staffing, though much, if not all, of this funding will likely come from present appropriations. Additionally, the plaintiffs and hospital-intervenors in this case will be able to shift their attorneys' fees in this action if they are ultimately successful. The potential for the shifting of attorney's fees and costs could add to that figure. Thus, the full amount of any potential liability cannot be accurately predicted at this time.

Charles F. v. N.H. Youth Development Center

On August 2, 2019, the New Hampshire Attorney General's Office received notice that an individual known as Charles F. was seeking to recover damages against the N.H. Youth Development Center for personal injuries sustain from 1994-1995. Though unknown at this time, the allegations could include numerous sexual assault injuries. Depending on the number of incidents involved that the plaintiff might choose to seek recovery on, potential liability in the case could exceed $2 million. The state agency would have numerous defenses to such a lawsuit, including timeliness defenses. It is believed that this case is subsumed within the Meehan case referenced immediately below. It is not possible to predict the outcome of the case at this time.

David Meehan v. NH Dept. of Health and Human Services, et al.

On January 11, 2020, the plaintiff filed a class action lawsuit against DHHS and others alleging physical, sexual and mental/emotional abuse, solitary confinement, and deprivation of education while he resided at the Youth Development Center from December 1, 1995 to 1999. The putative class is alleged to consist of men and women who, while minors in the care custody and control of the defendants were victims of the same stated acts and treatment at the hands of defendants, their agents, employees, and/or contractors. The State has not yet responded and the matter has been stayed by agreement due to a pending investigation by the Attorney General and the desire to engage in informal discussions between the parties. It is not possible to predict the outcome of the case at this time.

Department of Corrections

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

Four female New Hampshire state inmates filed this class action lawsuit in state court seeking declaratory and injunctive relief to remedy claimed violations of their constitutional, statutory and judicially decreed right to facilities, conditions of confinement, programs, and services that are on parity with those that the State of New Hampshire provides to male New Hampshire prison inmates. The Plaintiffs claim that female inmates do not have access to vocational training, education, and other programs, services and facilities comparable to what is provided to male inmates, and claim that the Defendant has therefore violated (1) their rights under New Hampshire's Equal Rights Amendment, Part I, Article 2 of the State Constitution; (2) the Equal Protection Clause of the New Hampshire Constitution, Part I, Article 12; (3) RSA 622:33-a, III; and (4) RSA 21-H:11. The State filed an answer on November 2, 2012. Petitioners filed a motion for class certification in February 2013. The State filed an objection in March 2013 and the parties have agreed to stay the case as the Legislature has included a $38 million capital budget appropriation for a new women's prison and transitional housing facility in the FY14/15 Capital Budget (Chapter 195 Laws 2013). The 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. The parties have reached a settlement arrangement under which the case is stayed for a period of years subject to the Department of Corrections meeting certain benchmarks with respect to the new women's prison. If those benchmarks are met, the case will be dismissed with prejudice. If those benchmarks are not met, the plaintiffs have the ability to re-open the matter. In the event the matter is re-opened, it will be amended and restructured.

Avery v. Hanks (Commissioner of the Department of Corrections)

On July 31, 2018, Edgar Avery, an inmate at the New Hampshire Department of Corrections, filed a breach of contract action alleging that the New Hampshire Department of Corrections is in breach of an extensive settlement agreement known as the Laaman Settlement Agreement. Mr. Avery sought specific performance of the settlement agreement based on many varied allegations. The agency moved to dismiss Mr. Avery's suit as barred by sovereign immunity, because the New Hampshire Supreme Court had interpreted RSA 491:8, the statute permitting suit against the State on contracts, to be limited to suits seeking monetary damages only. Suits seeking equitable relief were barred. The trial court dismissed the case on sovereign immunity and standing grounds. Mr. Avery appealed. While the case was pending on appeal, the legislature changed RSA 491:8 to permit persons to seek equitable relief on contracts with the State. The New Hampshire Supreme Court issued its opinion on November 20, 2020. In resolving the appeal, the New Hampshire Supreme Court held that RSA 491:8 now permits Mr. Avery to seek specific performance of the Laaman Settlement Agreement, and, if the New Hampshire Department of Corrections lacks funding sufficient to cover what is ultimately ordered, the judgment must be presented to the legislature for payment under RSA 491:8. The New Hampshire Supreme Court also held that Mr. Avery has standing to maintain the lawsuit and reversed and remanded the case. It is not possible to predict the outcome of the case at this time.

Department of Safety

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.

Richard Simone, Jr. v. Andrew Monaco, et al

On May 11, 2016, Mr. Simone led police on a multi-state vehicle chase, ending in Nashua, NH. After Mr. Simone stopped and exited his vehicle, a NH State Trooper, Andrew Monaco, and a Massachusetts State Trooper, Joseph Flynn, used excessive force in arresting Mr. Simone. Those two troopers have been convicted of crimes associated with their use of force. Mr. Monaco is no longer a NHSP Trooper. Mr. Simone brought a civil lawsuit relating to the incident, naming the NHSP Colonel and two NHSP Troopers as defendants. While Mr. Monaco is also named as a defendant, the State is not providing defense or indemnification for him. The State is defending the New Hampshire State Police Colonel, and two Troopers that did not participate in the use of force, but were alleged to be present at the scene of the arrest. Mr. Simone alleges that the State Police Defendants failed to intervene to stop the use of force, and therefore are liable under 42 U.S.C. § 1983. Similarly, Mr. Simone alleges that the State Police Colonel is liable under 42 U.S.C. § 1983 for a failure to properly train NHSP Troopers. The U.S. District Court dismissed the Colonel from the case and dismissed all claims that are brought against the State Defendants that are alleged in their official capacity. The Court denied the State's Motion to Dismiss for failure to timely effect service on and failure to state a claim with respect to the two State Troopers. No discovery plan has been filed yet. If Mr. Simone is successful in his claims against the Troopers in their individual capacities, he is seeking damages, punitive damages, and attorneys' fees. It is not possible to predict an amount of liability at this time.

Threatened litigation from the ACLU against State Police

The NH ACLU and the Seacoast Online Newspaper have made a Right to Know Request of NHSP, pursuant to RSA 91-A. They are seeking records related to the NHSP's Mobile Enforcement Team ("MET"), which has been tasked with detecting serious crimes on the highways, such as drug trafficking and human trafficking. The ACLU's requests include a request for policies and procedures on pre-textual motor vehicle stops, and for records of stops that did not result in criminal charges. The ACLU has indicated that the purpose of their request is to secure records which support the position that the NHSP MET disproportionately stops people of color. NHSP is cooperating with the ACLU to identify and provide the records they are seeking and to engage with them constructively with hopes of reviewing existing practices and procedures in order to avoid litigation. Although no lawsuit has been filed, the ACLU has threatened litigation. It is not possible to predict the amount of potential liability at this time.

Other Departments

Contoocook Valley School District v. State et al.

On March 13, 2019, several plaintiffs, including a school district and three individuals, sued the State claiming that it has failed to meet its obligations to fund an adequate education. The plaintiffs assert that certain costs like transportation costs, school nurse costs, food services costs, facilities costs, teacher benefits, and superintendent costs, must, as a matter of constitutional law, be funded by the State and are currently not funded by the State. The plaintiff requests approximately $17 million for the school district to be provided by April 1, 2019. On June 5, 2019, the trial court issued an order finding that RSA 198:40-a, II, the statutory mechanism the state uses to make adequate education payments to school districts is unconstitutional. The court did not, however, require the State to pay the plaintiffs any amount of money, and denied the plaintiffs' claims to that effect. Instead, the trial court required the legislature to fix the statute on a prospective basis. The State timely appealed the trial court's order. The case remains pending on appeal. Oral argument occurred in the case in September 2020. The State is awaiting the New Hampshire Supreme Court's decision.

Conservation Law Foundation, Inc. v. New Hampshire Fish and Game Department, et al.

On October 31, 2018, the Conservation Law Foundation ("CLF") filed its Complaint pursuant to Section 505 of the Federal Water Pollution Control Act ("Clean Water Act") alleging violations by the Powder Mill State Fish Hatchery of the hatchery's federal National Pollutant Discharge Elimination System ("NPDES") Permit. Specifically, the suit alleges the following violations: (1) discharging effluent that has resulted in state water quality standards violations in the receiving waters; (2) discharging effluent that has impaired the use of receiving waters; (3) discharging formaldehyde in concentrations exceeding the limits stated in the facility's NPDES permit; (4) discharging effluent causing violation of the pH limits stated in the facility's NPDES permit; (5) discharging cleaning water in violation of the NPDES permit; and (6) failing to implement and maintain a best management practices plan as required by the NPDES permit. The suit names the Department ("NHFG"), the Executive Director, the Fish and Game Commission, and each of the Fish and Game Commissioners. CLF alleged that each separate violation of the Clean Water Act subjects NHFG to a penalty of up to $52 thousand. In addition to civil penalties, CLF sought declaratory relief and injunctive relief to prevent further violations of the Clean Water Act. CLF also seeks injunctive relief to remediate past effluent and seeks recovery of costs and fees associated with this matter. Following briefing on NHFG's partial motion to dismiss, CLF voluntarily dropped the Department and the Commission from the suit. After a hearing, the Court determined that civil penalties were barred on 11th amendment grounds, but denied the State's motion to dismiss without prejudice to raising the remaining issues at summary judgment. The Parties filed cross-motions for summary judgment on November 27, 2019. CLF sought summary judgment on all counts, while the State sought summary judgment on Counts II, III, VI, and VII, as well as on CLF's request for injunctive relief to remediate past effluent on 11th amendment grounds. The judge dismissed counts related to contamination already in sediment, issued preliminary orders to NHFG to limit pH issues which essentially, NHFG has already done and scheduled other issues for trial in October. Issuance of a final NPDES permit, which appears imminent, would largely moot the remaining issues.

New Hampshire Lottery Commission v. William Barr, Attorney General

In January 2019, the United States Department of Justice ("USDOJ") issued a memorandum adopting as an official position of the agency a very broad interpretation of the federal Wire Act, 18 U.S.C. § 1084. This interpretation reverses a prior interpretation of the USDOJ from 2011 finding that the Wire Act applies only to sports betting and therefore does not prohibit States from selling lottery tickets over the Internet. The USDOJ's recent reversal of the 2011 interpretation appears to prohibit the use of wire transmissions to engage in state conducted lottery activity. The New Hampshire Lottery Commission has sued the Attorney General and the USDOJ in the United States District Court for the District of New Hampshire to declare this new interpretation of law erroneous and for a declaration that the Wire Act does not extend to state-conducted lottery activity. If the USDOJ's new interpretation is correct, and the Wire Act does extend to state-conducted lottery activity, New Hampshire may lose substantial revenues. Under the narrowest interpretation of the USDOJ's opinion, the State would face a loss of approximately $6-8 million. Under the broadest interpretation of the USDOJ's opinion, the State could face a loss of approximately $90 million. The case was briefed April 8, 2019 and oral argument subsequently occurred. On June 3, 2019, the federal district court issued an order setting aside the USDOJ's new interpretation of the Wire Act under the federal Administrative Procedure Act. The USDOJ appealed and the appeal has been briefed and argued. The State is awaiting a decision from the First Circuit.

State v. Purdue Pharma; State v. Janssen/Johnson & Johnson; State v. McKesson Corp and Cardinal Health; State v. Mallinckrodt; State v. Richard S. Sackler, et al.

The State has filed suit against three opioid manufacturers (Purdue Pharma, Janssen, and Mallinckrodt), as well as against two opioid distributors (McKesson and Cardinal Health) and on September 16, 2019 the State filed against four members of the Sackler family, owners of Purdue Pharma, alleging unfair or deceptive business practices, nuisance and other common law counts. The Sackler complaint includes a fraudulent conveyance count. All cases are in Merrimack County Superior Court. The Purdue, Janssen and Distributors' cases have survived motions to dismiss by the defendants and discovery is on-going. The Mallinckrodt defendants filed their motion to dismiss, which was objected to and is yet to be heard by the court. Trial in the Purdue Pharma case was scheduled for June 2020, however, on September 14, 2019, Purdue filed bankruptcy in the southern district of New York. Both the Purdue litigation and the litigation against the Sacklers has been stayed by the bankruptcy court. A trial was scheduled in the Janssen/Johnson & Johnson case for January 2021 but will be continued due to the disruptions caused by the COVID-19 pandemic. The trial in the Distributors' case is not yet scheduled because of COVID-19 delays in the court system. The State continues to participate in multistate settlement discussions, along with other attorneys general, aimed at a global resolution with all opioid related defendants (manufacturers, distributors and major pharmacy chains). It is not possible at this stage to predict any recovery amounts that would come to the State.

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. The case is currently stayed before the Merrimack County Superior Court as numerous other jurisdictions have promulgated diverse rulings on Volkswagen's primary defense of preemption. Possible liability for Volkswagen is more than $2 million, but a likely litigation or settlement result is, at this point, unknown. In June, a Ninth Circuit Panel reversed the trial court judge's decision that State penalty actions were preempted. In August, the Ninth Circuit refused to revisit this decision. This allows the State case to proceed and current options are being evaluated.

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 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, 2020 follows:

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

	Restricted	Committed	Assigned	Unassigned
General Fund:				
General Government	$ 40,004	$ 6,679	$ 60,145	
Administration of Justice & Public Protection	55,821	20,420	19,090	
Resources Protection & Development	337,931	3,075	13,863	
Transportation	31,242		2,625	
Health & Human Services	106,439	452	36,563	
Education	13,628		6,480	
Other Purposes *				64,319
Total	585,065	30,626	138,766	64,319
Highway Fund:				
General Government	130			
Administration of Justice & Public Protection	13,081			
Resources Protection & Development				
Transportation	115,223		17,900	
Health & Human Services	119			
Education				
Total	128,553		17,900	
Education Trust Fund:				
Education			68,041	
Total			68,041	
Non-Major Governmental Funds:				
Resources Protection & Development	5,724	3,764	4,512	
Other Purposes	13,657			(55,676)
Total	$ 19,381	$ 3,764	$ 4,512	$ (55,676)

* Includes the Revenue Stabilization account

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. During 2019, in addition to 10% of certain settlements ($258 thousand), HB4 required a $5 million transfer to the Rainy Day fund, bringing the balance at June 30, 2019 to $115.3 million. During 2020, a transfer of $0.2 million for 10% of certain settlements brought the Rainy Day fund at June 30, 2020 to $115.5 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, 2020, the Lottery recognized $8.3 million of net income from Tri-State. At June 30, 2020 Tri-State reported total installment prize obligations owed to jackpot winners of $17.1 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, 2020. 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 38 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, 2020, the Lottery recognized $17.8 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 $2.8 million at June 30, 2020. 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, 2020 the MUSL Hot Lotto prize reserve fund was $34.8 million with New Hampshire's share being $470 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 lotteries in twenty-five states 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, 2020, New Hampshire's total share of the net income for Lucky for Life was $2.2 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, 2020 amounted to $2.8 million, representing MUSL prize reserves which could be returned to the State's Education Trust Fund.

18. SUBSEQUENT EVENTS

In preparing these financial statements, the State has evaluated events and transactions occurring subsequent to June 30, 2020 for adjustment or disclosure, if deemed to materially impact the financial statements as presented.

COVID-19 Global Pandemic:

As a result of the ongoing COVID-19 global pandemic, the State has continued to administer the $1.25 billion in funds granted to the State in April 2020 under the CARES Act, referred to as Coronavirus Relief Funds ("CRF"). These funds have been allocated to a series of programs under the direction of the Governor's Office for Emergency Relief and Recovery (GOFERR). The CARES Act requires that payments from the CRF be used to cover expenses that are necessary in response to the public health emergency, were not accounted for in the most recently approved State budget and, in order to be eligible as incurred costs, performance of services or delivery of goods must occur during the covered period of March 1, 2020 through December 30, 2020. Any unused funds or costs deemed ineligible, must be returned to the federal Department of the Treasury. As of the issuance date of these financial statements, $1.249 billion has been allocated, pending final disbursement and ultimate determination of eligible costs. As part of this allocation, and a result of the unprecedented levels of unemployment claims resulting from the COVID-19 global pandemic, in October 2020 the Governor authorized $50 million of CARES Act funds to be deposited into the unemployment trust fund, in order to stabilize the trust fund going forward. In addition, the State has executed a 'FEMA-State Agreement' for both the public health emergency declaration and the State of New Hampshire major disaster declaration, through the Federal Emergency Management Agency ("FEMA"). As of June 30, 2020, the State has not recorded material FEMA reimbursements, as the majority of requests for reimbursement are in process of being compiled. As of the issuance date of these financial statements, the State has no indication from FEMA as to the amount of payments that will be granted.

General Obligation Capital Improvement Bonds:

The State issued $2.3 million General Obligation Capital Improvement Bonds, 2020 Series A (Series B Bonds") on August 18, 2020. The 2020 Series B Bonds were issued through a private placement with the New Hampshire Municipal Bond Bank (NHMBB). The NHMBB purchased the Series B Bonds to use as an investment in its required debt service reserve fund. The Series B Bonds are structured to pay interest every six months with two maturities, $0.3 million on 8/15/2029 and the second and final maturity on 8/15/2040. The State uses the proceeds to fund its ongoing capital program while benefiting from a reduced cost of capital compared to that of a conventional "new money" issue. This transaction resulted in a net true interest cost of 1.55%.

The State issued $47.2 million General Obligation Capital Improvement Bonds, 2020 Series C through a competitive sale on December 15, 2020 and is expected to close on December 22, 2020. This sale resulted in an overall true-interest-cost (TIC) to the State of 1.59% with coupons ranging from 1.00% to 5.00% and with final maturity on 12/01/2040. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

Also on December 15, 2020 the State issued two separate series of refunding bonds. The first was a tax exempt current refunding issuance of $49.5 million General Obligation Refunding Bonds, 2020 Series D which were issued to refinance $60.3 million in previously issued and currently outstanding bonds at an overall true-interest-cost (TIC) to the State of .45% and achieving present value savings of just over $4.7 million or 7.8% of the refunded bonds. Directly following that sale, the State issued taxable advance refunding bonds, $37.6 million General Obligation Refunding Bonds, Series E (Federally Taxable) to advance refund $35.6 million of previously issued and currently outstanding bonds at an overall true-interest-cost (TIC) to the State of .23% and achieving present value savings of nearly $6.7 million or 18.8% of the refunded bonds. Both refunding series are expected to close on December 22, 2020. Neither refunding extended maturities beyond the refunded bonds. In the aggregate, these refinancings produced savings of approximately $10.8 million over ten years with the majority coming in the first two years, specifically $2.1 million in state fiscal year 2021 and $8.7 million in state fiscal year 2022.

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, 2020 through December 10, 2020, an additional $5.9 million of TIFIA proceeds had been requested/received under this arrangement, representing a long-term note payable.


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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, 2020
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
General Property Taxes	$ 290	$ 290	$ 262	$ (28)
Special Taxes	1,356,917	1,350,234	1,261,917	(88,317)
Personal Taxes	110,836	110,836	127,448	16,612
Business License Taxes	22,538	22,538	25,831	3,293
Non-Business License Taxes	133,410	133,865	139,317	5,452
Fees	175,499	189,204	160,274	(28,930)
Fines, Penalties and Interest	8,147	8,732	7,256	(1,476)
Grants from Federal Government	2,213,880	2,669,601	2,011,960	(657,641)
Grants from Private and Local Sources	199,442	199,994	182,118	(17,876)
Rents and Leases	494	1,146	1,157	11
Interest Premiums and Discounts	20,509	21,380	25,750	4,370
Sale of Commodities	11,730	17,233	14,117	(3,116)
Sale of Services	23,994	24,334	21,355	(2,979)
Assessments	76,973	77,171	71,696	(5,475)
Grants from Other Agencies	264,212	321,767	242,163	(79,604)
Miscellaneous	377,580	450,336	421,789	(28,547)
Total Revenue	4,996,451	5,598,661	4,714,410	(884,251)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	32,614	32,878	17,451	15,427
Executive	43,647	43,872	33,955	9,917
Information Technology	105,240	105,429	83,188	22,241
Executive Council	259	259	243	16
Administrative Services	144,195	151,649	130,902	20,747
Sec of State	10,635	14,266	10,690	3,576
Revenue Administration	20,963	20,966	18,485	2,481
State Treasury	102,392	153,657	122,102	31,555
NH Retirement System	10,179	10,179	8,033	2,146
Developmental Disabilities Council	951	982	630	352
Office of Professional Licensure and Certification	14,340	15,098	11,638	3,460
Boards and Commissions	1,504	1,504	1,325	179
Total	486,919	550,739	438,642	112,097

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	101,540	103,178	91,962	11,216
Adjutant General	39,759	44,951	24,270	20,681
Agriculture	8,216	8,510	5,198	3,312
Justice Department	103,569	111,028	46,940	64,088
Bank Commission	6,534	6,545	5,570	975
Insurance	13,714	13,956	10,614	3,342
Labor	11,821	28,362	25,109	3,253
Public Utilities Commission	37,352	42,893	32,204	10,689
Safety	123,009	152,390	73,550	78,840
Corrections Department	139,605	143,961	135,446	8,515
Employment Security	95,711	106,137	32,963	73,174
Judicial Council	31,129	32,455	31,994	461
Human Rights Commission	922	948	695	253
Boards and Commissions	480	480	467	13
Total	713,361	795,794	516,982	278,812
RESOURCE PROTECTION AND DEVELOPMENT				
Natural and Cultural Resources	60,553	70,782	47,324	23,458
Business and Economic Development	53,701	54,339	20,591	33,748
Pease Development Authority	797	9,052	843	8,209
Environmental Services	247,256	267,003	124,569	142,434
Development Finance Authority	196	1,196	1,196	
Boards and Commissions	100	132	132	
Total	362,603	402,504	194,655	207,849
TRANSPORTATION				
Transportation	72,706	93,782	16,619	77,163
Total	72,706	93,782	16,619	77,163

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	130,486	197,253	124,492	72,761
Office of Health Management	128,996	156,622	89,850	66,772
Transitional Assistance	130,048	128,558	101,509	27,049
Office of Medicaid & Business Policy	1,262,460	1,572,538	1,442,607	129,931
Behavioral Health	153,818	165,323	74,908	90,415
Developmental Services	428,526	439,253	346,868	92,385
N H Hospital	85,389	103,150	73,853	29,297
Glencliff Home	17,246	17,699	15,943	1,756
N H Veterans Home	38,736	39,342	31,716	7,626
Veterans Council	25	25		25
Human Services	224,909	255,744	214,485	41,259
Elderly and Adult Services	482,697	501,271	457,501	43,770
Community Based Care Svc	732	2,168	2,017	151
Total	3,084,068	3,578,946	2,975,749	603,197
EDUCATION				
Department of Education	368,837	415,244	213,639	201,605
NH Comm. Tech. College System	54,055	57,255	57,255	
Police Standards and Training Council	3,497	3,633	2,754	879
University of New Hampshire	85,500	94,500	94,500	
Total	511,889	570,632	368,148	202,484
Debt Service	113,033	113,033	108,938	4,095
Capital Outlays	30,826	30,801	30,801	
Total Expenditures	5,375,405	6,136,231	4,650,534	1,485,697
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(378,954)	(537,570)	63,876	601,446
OTHER FINANCING SOURCES (USES)				
Transfers In		3,314	3,314	
Transfers Out		(101,064)	(101,064)	
Miscellaneous		22,197	22,197	
Total Other Financing Sources (Uses)		(75,553)	(75,553)	
Excess (Deficiency) of Revenues				
and Other Sources Over (Under)	(378,954)	(613,123)	(11,677)	601,446
Expenditures and Other Uses				
Fund Balance - July 1	1,050,071	1,050,071	1,050,071	
Fund Balance - June 30	$ 671,117	$ 436,948	$ 1,038,394	

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$ 149,194	$ 149,194	$ 171,586	$ 22,392
Non-Business License Taxes	71,001	71,001	73,714	2,713
Fees	161,180	161,230	24,347	(136,883)
Fines, Penalties and Interest	5,710	5,815	5,338	(477)
Grants from Federal Government	509,534	511,640	188,622	(323,018)
Grants from Private and Local Sources	5,875	5,878	7,400	1,522
Rents and Leases	96	96	87	(9)
Sale of Commodities	832	832	2,939	2,107
Sale of Services	5,647	5,647	4,207	(1,440)
Grants from Other Agencies	15,306	15,572	10,814	(4,758)
Miscellaneous	74,408	78,414	40,198	(38,216)
Total Revenues	998,783	1,005,319	529,252	(476,067)
EXPENDITURES				
Justice and Public Protection	112,866	115,632	87,668	27,964
Resource Protection and Development	79	79		79
Transportation	864,659	876,661	440,156	436,505
Debt Service	34,983	34,983	32,782	2,201
Capital Outlays	17,327	17,327	17,327	
Total Expenditures	1,029,914	1,044,682	577,933	466,749
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,131)	(39,363)	(48,681)	(9,318)
OTHER FINANCING SOURCES (USES)				
Transfers Out		(5,200)	(5,200)	
Transfers In		31,388	31,388	
Miscellaneous		(1,457)	(1,457)	
Total Other Financing Sources (Uses)		24,731	24,731	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(31,131)	(14,632)	(23,950)	(9,318)
Fund Balance - July 1	532,889	532,889	532,889	
Fund Balance - June 30	$ 501,758	$ 518,257	$ 508,939	

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	Education Trust Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$ 406,499	$ 406,499	$ 406,542	$ 43
Special Taxes	503,288	503,288	460,943	(42,345)
Personal Taxes	87,100	87,100	86,206	(894)
Fines, Penalties and Interest		1		(1)
Interest Premiums and Discounts			1,079	1,079
Grants from Federal Government				
Miscellaneous	39,700	39,700	40,000	300
Total Revenues	1,036,587	1,036,588	994,770	(41,818)
EXPENDITURES				
Education	1,091,180	1,091,543	1,079,834	11,709
Total Expenditures	1,091,180	1,091,543	1,079,834	11,709
Deficiency of Revenues				
Under Expenditures	(54,593)	(54,955)	(85,064)	(30,109)
OTHER FINANCING SOURCES (USES)				
Transfers In		68,100	68,100	
Total Other Financing Sources (Uses)		68,100	68,100	
Excess (Deficiency) of Revenues				
and Other Sources Over (Under)				
Expenditures and Other Uses	(54,593)	13,145	(16,964)	(30,109)
Fund Balance - July 1	87,167	87,167	87,167	
Fund Balance - June 30	$ 32,574	$ 100,312	$ 70,203	

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 2020, 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 for each biennial budget. For fiscal year 2020, the operating budget proposed in HB1 and HB2, for fiscal years 2020-2021, was not passed by June 30, 2019. As a result, the State entered a three-month continuing resolution budget based on appropriations from fiscal year 2019. On September 26, 2019, HB3 along with a companion bill, HB4, were signed into law as Chapters 345 and 346, Laws of 2019. These collective appropriations, effective beginning July 1, 2019, represent the original budget, which includes 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, 2020 rather than the amounts shown in the original budget, are reported. The final appropriations budget represents the original budget (HB3), plus HB4 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, 2020 (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)	$ (11,677)	$(23,950)	$(16,964)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	36,781	(341)	533
To record change in Accounts Receivable	(307,369)	(4,702)	(99,790)
To record Other Financing Sources (Uses)	176,536	35,662	99,790
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (GAAP Basis) including change in inventory	$ (105,729)	$6,669	$(16,431)

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, 2020	June 30, 2019	June 30, 2018
State's Proportion of the Net OPEB Liability	20.62%	20.17%	19.10%
State's Proportionate Share of the Net OPEB Liability	$ 90,417	$ 92,357	$ 87,317
State's Covered Payroll	$ 621,426	$ 601,426	$ 587,542
State's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	14.55%	15.36%	14.86%
NHRS Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.75%	7.53%	7.91%

Note: The amounts presented were determined as of and for the measurement period ended June 30, 2019, 2018, 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)	June 30,			
	2020	2019	2018	2017
Required State Contribution	$ 9,259	$ 9,460	$ 8,960	$ 11,996
Actual State Contributions	$ 9,259	$ 9,460	$ 8,960	$ 11,996
Excess/(Deficiency) of State Contributions				
State's Covered Payroll	$ 638,061	$ 621,182	$ 601,426	$ 587,542
State Contribution as a Percentage of its Covered Payroll	1.45%	1.52%	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: None

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE NON TRUSTED OTHER POSTEMPLOYMENT BENEFITS PLAN

	2020	2019	2018
Total OPEB Liability			
Service cost	63,317	76,699	111,334
Interest	75,265	81,507	84,315
Differences between expected and actual experience	(24,533)	(7,653)	(7,886)
Changes in assumptions	(177,243)	(235,527)	(784,281)
Changes in benefit terms		(182,835)	
Benefit payments	(51,333)	(51,623)	(49,772)
Net change in total OPEB liability	(114,527)	(319,432)	(646,290)
Total OPEB liability - beginning	1,909,989	2,229,421	2,875,711
Total OPEB liability - ending	1,795,462	1,909,989	2,229,421
Covered-employee payroll	621,182	601,426	587,542
Total OPEB liability as a percentage of covered-employee payroll	289.04 %	317.58 %	379.45 %

Notes to Schedule:

Changes in assumptions reflect per capita health costs and administrative expenses based on more recent data, health cost trends were updated to better reflect experience and future expectations, the projection of the exercise tax on high cost health plans beginning in 2022 was revised, the marriage assumption for future retirees was lowered from 75% to 70%, as well as changes in the discount rate. The following are the discount rates used in each period.

2020	3.50%
2019	3.87%
2018	3.58%
2017	2.85%

Changes in benefits reflect the implementation of the Medicare Advantage Plan, a fully insured plan, as of January 1, 2020.

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2019, 2018, 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, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's Proportion of the Net Pension Liability	18.80 %	18.42 %	19.83 %	19.47 %	20.07 %	19.60 %
State's Proportionate Share of the Net Pension Liability	$904,354	$886,972	$975,446	$1,035,370	$794,933	$735,869
State's Covered Payroll	$621,182	$601,426	$587,542	$562,387	$563,322	$533,457
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	145.59 %	147.48 %	166.02 %	184.10 %	141.12 %	137.94 %
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	65.59 %	64.73 %	62.66 %	58.30 %	65.47 %	66.32 %

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2019, 2018, 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,						
	2020	2019	2018	2017	2016	2015	2014
Required State Contribution	$ 83,302	$ 82,370	$ 78,280	$ 72,680	$ 69,700	$ 67,450	$ 63,621
Actual State Contributions	83,302	82,370	78,280	72,680	69,700	67,450	63,621
Excess/(Deficiency) of State Contributions							
State's Covered Payroll	$ 638,061	$ 621,182	$ 601,426	$ 587,542	$ 562,387	$ 563,322	$ 533,457
State Contribution as a Percentage of its Covered Payroll	13.06 %	13.26 %	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, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability						
Service cost	$ 4,008	$ 3,921	$ 3,513	$ 3,248	$ 2,693	$ 2,351
Interest on total pension liability	6,635	6,411	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	(7,452)	(6,682)	(6,601)	(6,192)	(5,694)	(5,775)
Net change in total pension liability	3,191	3,650	(1,830)	11,203	2,641	2,224
Total pension liability, beginning	99,062	95,412	97,242	86,039	83,398	81,174
Total pension liability, ending (a)	102,253	99,062	95,412	97,242	86,039	83,398
Fiduciary Net Position						
Employer contributions	6,948	6,731	6,346	6,096	5,470	4,923
Member contributions	812	789	745	727	664	635
Investment income net of investment expenses	10,042	(3,422)	7,497	2,874	(249)	2,759
Benefit payments	(7,452)	(6,682)	(6,601)	(6,192)	(5,694)	(5,775)
Administrative expenses	(214)	(297)	(228)	(239)	(208)	(203)
Net change in plan fiduciary net position	10,136	(2,881)	7,759	3,266	(17)	2,339
Fiduciary net position, beginning	55,050	57,931	50,172	46,906	46,923	44,584
Fiduciary net position, ending (b)	65,186	55,050	57,931	50,172	46,906	46,923
Net pension liability, ending = (a) - (b)	37,067	44,012	37,481	47,070	39,133	36,475
Fiduciary net position as a % of total pension liability	63.75 %	55.57 %	60.72 %	51.59 %	54.52 %	56.26 %
Covered payroll	9,624	9,044	8,359	8,525	8,031	7,535
Net pension liability as a % of covered payroll	385.15 %	486.64 %	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, 2019, 2018, 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,	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	$ 6,649	$ 6,984	$ 6,592	$ 6,151	$ 5,678	$ 5,100	$ 4,666
Contributions in Relation to the Actuarially Determined Contribution	6,649	6,984	6,592	6,151	5,678	5,100	4,666
Excess/(Deficiency) of State Contributions							
Covered Payroll	$ 9,659	$ 9,315	$ 8,825	$ 8,686	$ 8,209	$ 7,944	$ 7,348
Contribution as a Percentage of the Covered Payroll	68.84 %	74.98 %	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	2.25%
Cost of living adjustment	2.25%
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
Remaining amortization period	22 years at January 1, 2018
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.

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, 2020, 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 22, 2020. Our report includes a reference to other auditors who audited the financial statements of the Liquor Commission, Lottery Commission, the aggregate discretely presented component units (University System of New Hampshire, 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's Response to Finding

The State's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 22, 2020

KPMG LLP
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60 South Street
Boston, MA 02111

Independent Auditors' Report on Compliance for Each Major Federal 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 (the 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, 2020. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of 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, 2020. Our audit, described below, did not include the operations 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 of compliance 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 referred to above 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 (Scope Limitation) Opinion on the Medicaid Cluster

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the State's compliance with the *Special Tests and Provisions – Medicaid National Correct Coding Initiative* applicable to the Medicaid Cluster (CFDA # 93.775, 93.777 and 93.778) as described in finding 2020-024. Consequently, we were unable to determine whether the State complied with the requirement applicable to that program.

Basis for Qualified Opinions on Certain Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement	Report Page Number
2020-002	16.575	Crime Victim Assistance	Reporting	F-6
2020-003	17.225	Unemployment Insurance	Special Tests and Provisions – UI Program Integrity – Overpayments	F-8
2020-005	17.225	Unemployment Insurance	Special Tests and Provisions – UI Benefit Payments	F-15
2020-009	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions – Annual Report Card, High School Graduation Rates	F-26
2020-010	84.010	Title I Grants to Local Educational Agencies	Subrecipient Monitoring	F-29
2020-012	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions – Child Support Non-Cooperation	F-33
2020-013	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions –Lack of Child Care for Single Custodial Parent of Child under Age Six, Child Support Non-Cooperation, Penalty for Refusal to Work	F-36
2020-014	93.558	Temporary Assistance for Needy Families	Reporting, Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan	F-40
2020-016	93.558	Temporary Assistance for Needy Families	Matching, Level of Effort and Earmarking – Maintenance of Effort	F-45
2020-017	93.658	Foster Care – Title IV-E	Eligibility	F-47

Finding #	CFDA #	Program Name	Compliance Requirement	Report Page Number
2020-018	93.658	Foster Care – Title IV-E	Special Tests and Provisions – Payment Rate Setting and Application	F-50
2020-019	93.667	Social Services Block Grant	Subrecipient Monitoring	F-52
2020-023	93.775 93,777 93.778	Medicaid Cluster	Eligibility	F-63
2020-025	93.788	Opioid STR	Subrecipient Monitoring	F-68

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the identified major federal programs.

Qualified Opinions on Major Federal Programs

In our opinion, except for the possible effects of the matters descried in the Basis for Qualified (Scope Limitation) Opinion paragraph and 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 each of the major federal programs listed in the Bases for Qualified Opinions paragraphs for the year ended June 30, 2020.

Unmodified Opinions 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 auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

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 2020-007, 2020-008, 2020-011, 2020-020, 2020-021, and 2020-022. 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 is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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 requirements 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 have not been identified. However, as discussed below, we did identify 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 findings and questioned costs as items 2020-002, 2020-003, 2020-005, 2020-009, 2020-010, 2020-012, 2020-013, 2020-014, 2020-016, 2020-017, 2020-018, 2020-019, 2020-024, and 2020-025 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a 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 2020-004, 2020-006, 2020-007, 2020-008, 2020-011, 2020-015, 2020-020, 2020-021, 2020-022, and 2020-023 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 is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 22, 2020 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Boston, Massachusetts
June 4, 2021

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Agriculture					
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care	195,127	0%	-
1800	10.170	Specialty Crop Block Grant Program – Farm Bill	122,778	0%	-
5600	10.534	Child and Adult Care Food Program (CACFP) Meal Service Training Grants	6,125	0%	-
		Supplemental Nutrition Assistance Program (SNAP) Cluster			
9500	10.551	Supplemental Nutrition Assistance Program (Note 3,8)	112,564,185	0%	-
9500	10.561	State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 8)	10,336,750	0%	-
		SNAP Cluster Total	122,900,935	0%	-
		Child Nutrition Cluster			
5600	10.553	School Breakfast Program (Note 8)	3,748,099	100%	3,737,367
5600	10.555	COVID-19 National School Lunch Program (Note 3,8)	8,099,745	99.9%	8,093,482
5600 1400	10.555	National School Lunch Program (Note 3,8)	19,915,476	99%	19,793,004
5600	10.556	Special Milk Program For Children (Note 8)	109,769	100%	109,769
5600 1400	10.559	Summer Food Service Program For Children (Note 3,8)	1,134,741	96%	1,086,352
		Child Nutrition Cluster Total	33,007,830	99%	32,819,974
					-
9500	10.557	Special Supplemental Nutrition Program For Women, Infants And Children	8,943,505	39%	3,482,558
5600 1400	10.558	Child And Adult Care Food Program (Note 3)	3,803,158	100%	3,803,158
5600 1400	10.560	State Administrative Expenses For Child Nutrition	728,263	0%	-
		Food Distribution Cluster			
9500	10.565	Commodity Supplemental Food Program (Note 3,8)	1,228,388	0%	-
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 8)	304,139	95%	288,179
1400	10.569	COVID-19 Emergency Food Assistance Program (Food Commodities) (Note 3,8)	13,337	100%	13,337
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Note 3,8)	1,466,110	100%	1,466,110
		Food Distribution Cluster Total	3,011,974	59%	1,767,626
9500	10.576	Senior Farmers Market Nutrition Program	80,924	0%	-
9500	10.578	WIC Grants to States	132,124	0%	-
5600	10.579	Child Nutrition Discretionary Grants Limited Availability	56,357	100%	56,357

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
5600	10.582	Fresh Fruit And Vegetable Program	1,614,416	95%	1,528,680
3500	10.664	Cooperative Forestry Assistance	476,563	34%	162,640
5600	10.665	Schools and Roads – Grants to States	430,140	100%	430,140
3500	10.676	Forest Legacy Program	39,742	0%	-
3500	10.680	Forest Health Protection	112,265	1%	1,328
3500	10.912	Environmental Quality Incentives Program (EQIP)	42,186	0%	-
1800	10.913	Farm and Ranch Lands Protection Program	25,769	0%	-
4400	10.916	Watershed Rehabilitation Program	91,269	0%	-
		Department of Agriculture Total	**175,821,450**	**25%**	**44,052,461**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Commerce					
2200	11.302	Economic Development Support for Planning Organizations	8,392	0%	-
7500	11.407	Interjurisdictional Fisheries Act Of 1986	15,597	0%	-
7500	11.417	Sea Grant Support (Subaward # NA18OAR4170090 from the University of NH)	11,192	0%	-
4400	11.419	Coastal Zone Management Administration Awards	1,467,854	27%	391,615
7500	11.420	Coastal Zone Management Estuarine Research Reserves	585,952	0%	-
4400	11.463	Habitat Conservation	240,000	0%	-
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act	164,123	0%	-
2300	11.549	State and Local Implementation Grant Program (SLIGP)	3,664	0%	-
7500	11.999	Marine Debris Program	333,307	0%	-
		Department of Commerce Total	**2,830,081**	**14%**	**391,615**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Defense					
2200	12.002	Procurement Technical Assistance For Business Firms	311,490	0%	-
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services	306,597	0%	-
1200	**12.400**	**Military Construction, National Guard**	**12,532,964**	**0%**	**-**
1200	**12.401**	**National Guard Military Operations And Maintenance (O&M) Projects**	**21,309,161**	**0%**	**-**
2200	12.617	Economic Adjustment Assistance for State Governments	43,750	0%	-
		Department of Defense Total	**34,503,962**	**0%**	-

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Housing and Urban Development					
9500	14.231	Emergency Solutions Grant Program	831,109	93%	775,738
9500	14.241	Housing Opportunities For Persons With AIDS	518,835	98%	509,559
9500	14.267	Continuum of Care Program	3,740,155	97%	3,612,303
		Department of Housing and Urban Development Total	**5,090,099**	**96%**	**4,897,600**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of the Interior					
4400	15.424	Marine Minerals Activities	9,504	0%	-
		Fish and Wildlife Cluster			
7500	15.605	Sport Fish Restoration Program (Note 8)	3,049,602	1%	19,730
7500	15.611	Wildlife Restoration And Basic Hunter Education (Note 8)	2,595,014	7%	172,774
7500	15.626	Enhanced Hunter Education and Safety Program (Note 8)	64,577	0%	-
		Fish and Wildlife Cluster Total	5,709,193	3%	192,504
7500	15.608	Fish and Wildlife Management Assistance	20,110	0%	-
7500 3500	15.615	Cooperative Endangered Species Conservation Fund	44,358	15%	6,768
4400	15.616	Clean Vessel Act	130,479	16%	20,983
4400	15.631	Partners for Fish and Wildlife	50,000	0%	-
7500	15.634	State Wildlife Grants	642,682	23%	149,822
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds	8,325	0%	-
4400	15.810	National Cooperative Geologic Mapping Program	73,758	0%	-
4400	15.814	National Geological and Geophysical Data Preservation	252	0%	-
3500	15.904	Historic Preservation Fund Grants-In-Aid	656,043	9%	57,628
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning	210,567	72%	150,765
7500	15.999	DOI Generic	6,000	0%	-
		Department of the Interior Total	**7,561,271**	**8%**	**578,470**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Justice					
2000	16.017	Sexual Assault Services Formula Program	363,058	93%	339,164
2000 4600	16.034	COVID-19 Coronavirus Emergency Supplemental Funding Program	118,995	45%	53,264
2000	16.320	Services for Trafficking Victims	30,085	71%	21,255
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States	94,892	0%	-
2000	16.550	State Justice Statistics Program for Statistical Analysis Centers	3,962	0%	-
2000	16.554	National Criminal History Improvement Program (NCHIP)	520,526	100%	519,021
2000	**16.575**	**Crime Victim Assistance**	**9,416,356**	**93%**	**8,715,835**
2000	16.576	Crime Victim Compensation	127,187	0%	-
2000	16.582	Crime Victim Assistance/Discretionary Grants	199,541	99%	198,204
1000	16.585	Drug Court Discretionary Grant Program	2,260	0%	-
2000	16.588	Violence Against Women Formula Grants	1,156,162	76%	882,628
2000	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	38,235	95%	36,195
2000	16.593	Residential Substance Abuse Treatment For State Prisoners	102,344	51%	52,305
4600	16.606	State Criminal Alien Assistance Program	2,720	0%	-
2000 4600	16.609	Project Safe Neighborhoods	112,095	61%	68,902
2300	16.710	Public Safety Partnership And Community Policing Grants	174,673	0%	-
2000	16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,471,096	23%	342,573
2300	16.741	DNA Backlog Reduction Program	318,598	0%	-
2000	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	162,671	0%	-
2300	16.750	Support For Adam Walsh Act Implementation Grant Program	64,889	0%	-
2000	16.754	Harold Rogers Prescription Drug Monitoring Program	194,101	3%	5,997
2000	16.816	John R Justice Prosecutors And Defenders Incentive Act	32,062	92%	29,628
2000	16.838	Comprehensive Opioid Abuse Site-Based Program	1,447	0%	-
5600	16.839	STOP School Violence	42,547	0%	-
2000 2300	16.922	Equitable Sharing Program	176,093	0%	-
		Department of Justice Total	**14,926,595**	**75%**	**11,264,971**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

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Department of Labor					
2700	17.002	Labor Force Statistics	774,367	0%	-
3200	17.005	Compensation And Working Conditions	23,200	0%	-
		Employment Service Cluster			
2700 2100	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 8)	2,976,934	0%	-
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 8)	615,505	0%	-
2700	17.804	Local Veterans` Employment Representative Program (Note 8)	-	0%	-
		Employment Service Cluster Total	3,592,439	0%	-
		Unemployment Insurance			
2700	**17.225**	**COVID-19 Unemployment Insurance (Note 4)**	**729,882,163**	**0%**	**-**
2700	**17.225**	**Unemployment Insurance (Note 4)**	**288,842,780**	**0%**	**-**
		Unemployment Insurance Total	**1,018,724,943**	**0%**	**-**
2200	17.235	Senior Community Service Employment Program	601,122	99%	595,468
2700	17.245	Trade Adjustment Assistance	472,725	0%	-
		Workforce Investment Opportunity Act (WIOA) Cluster			
2200	17.258	WIOA Adult Program (Note 8)	1,737,326	72%	1,256,886
2200	17.259	WIOA Youth Activities (Note 8)	1,981,850	76%	1,500,901
2200	17.278	WIOA Dislocated Formula Grants (Note 8)	1,656,567	67%	1,108,677
		WIOA Cluster Total	5,375,743	72%	3,866,464
2700	17.270	Reentry Employment Opportunities	5,000	0%	-
2700	17.271	Work Opportunities Tax Credit Program (WOTC)	36,019	0%	-
2700	17.273	Temporary Labor Certification For Foreign Workers	38,185	0%	-
2200 2700	17.277	Workforce Investment Act (WIA) National Emergency Grants	517,961	0%	-
2200	17.280	WIOA Dislocated Worker National Reserve Demonstration Grants	1,184,146	90%	1,068,749
2200	17.600	Mine Health And Safety Grants	25,514	97%	24,663
		Department of Labor Total	**1,031,371,364**	**1%**	**5,555,344**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
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Department of Transportation					
9600	20.106	Airport Improvement Program (Note 6)	6,148,953	100%	6,148,953
9600	20.200	Highway Research & Development	466,666	22%	103,098
		Highway Planning and Construction Cluster			
9600	**20.205**	**Highway Planning And Construction (Note 8)**	**184,279,742**	**6%**	**11,538,815**
3500	**20.219**	**Recreational Trails Program (Note 8)**	**1,085,206**	**0%**	**-**
9600	**20.224**	**Federal Lands Access Program (Note 8)**	**328,286**	**0%**	**-**
9600	**23.003**	**Appalachian Development Highway System (Note 8)**	**-**	**0%**	**-**
		Highway Planning and Construction Cluster Total	**185,693,234**	**6%**	**11,538,815**
9600	20.215	Highway Training & Education	150,000	0%	-
2300	20.218	National Motor Carrier Safety	1,469,002	0%	-
9600	20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	33,776,015	0%	-
2300	20.232	Commercial Driver's License Program Implementation Grant	719,326	0%	-
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	11,830	0%	-
		Federal Transit Cluster			
9600	20.500	Federal Transit - Capital Investment Grants (Note 8)	34,837	0%	-
9600	20.507	COVID-19 Federal Transit - Formula Grants (Note 8)	154,417	0%	-
9600	20.507	Federal Transit - Formula Grants (Note 8)	6,099,929	9%	560,858
9600	20.525	State of Good Repair Grants Program (Note 8)	-	0%	-
9600	20.526	Bus and Bus Facilities Formula Program (Note 8)	21,995	0%	-
		Federal Transit Cluster Total	6,311,178	9%	560,858
9600	20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	577,483	0%	-
9600	20.509	Formula Grants For Rural Areas	3,638,724	79%	2,878,206
		Transit Services Program Cluster			
9600	20.513	Enhanced Mobility Of Seniors And Individuals With Disabilities (Note 8)	1,479,999	94%	1,396,506
9600	20.516	Job Access - Reverse Commute (Note 8)	-	0%	-
9600	20.521	New Freedom Program (Note 8)	41,741	100%	41,741
		Transit Services Program Cluster Total	1,521,740	95%	1,438,247

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		Highway Safety Cluster			
2300	20.600	State And Community Highway Safety (Note 8)	2,313,742	50%	1,151,547
2300	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants (Note 8)	-	0%	-
2300	20.602	Occupant Protection Incentive Grants (Note 8)	-	0%	-
2300	20.609	Safety Belt Performance Grants (Note 8)	-	0%	-
2300	20.610	State Traffic Safety Information System Improvement Grants (Note 8)	-	0%	-
2300	20.611	Incentive Grant Program to Prohibit Racial Profiling (Note 8)	-	0%	-
2300	20.612	Incentive Grant Program to Increase Motorcyclist Safety (Note 8)	-	0%	-
2300	20.613	Child Safety and Child Booster Seat Incentive Grants (Note 8)	-	0%	-
2300	20.616	National Priority Safety Programs (Note 8)	1,948,334	11%	223,245
		Highway Safety Cluster Total	4,262,076	32%	1,374,792
2300	20.614	National Highway Traffic Safety Administration Discretionary Safety Grants and Cooperative Agreement	73,725	0%	-
8100	20.700	Pipeline Safety Program State Base Grant	656,331	0%	-
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants	133,171	76%	101,461
8100	20.721	PHMSA Pipeline Safety Program One Call Grant	54,567	0%	-
		Department of Transportation Total	**245,664,021**	**10%**	**24,144,430**

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State of New Hampshire
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For the Fiscal Year Ended 6/30/2020

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Department of Treasury					
0202	**21.019**	**COVID-19 Coronavirus Relief Fund**	**461,609,000**	**4%**	**17,000,000**
		Department of Treasury Total	**461,609,000**	**4%**	**17,000,000**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
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State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Equal Employment Opportunity Commission					
7600	30.002	Employment Discrimination - State And Local Fair Employment Practices Agency Contracts	162,370	0%	-
		Equal Employment Opportunity Commission Total	**162,370**	**0%**	**-**

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State of New Hampshire
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General Services Administration					
1400	39.003	Donation Of Federal Surplus Personal Property (Note 3)	39,201	0%	-
3200	39.011	Election Reform Payments (Note 5)	520	0%	-
		General Services Administration Total	**39,721**	**0%**	**-**

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State of New Hampshire
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National Endowment for the Arts					
3500	45.025	Promotion of The Arts - Partnership Agreements	618,264	30%	184,043
		Grants to States			
3500	45.310	COVID-19 Grants to States	84,619	0%	-
3500	45.310	Grants to States	949,004	0%	-
		Grants to States Total	1,033,623	0%	-
		National Endowment for the Arts Total	**1,651,887**	**11%**	**184,043**

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State of New Hampshire
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Small Business Administration					
2200	59.061	State Trade Expansion Program (STEP)	270,763	0%	-
		Small Business Administration Total	**270,763**	**0%**	**-**

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State of New Hampshire
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For the Fiscal Year Ended 6/30/2020

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Veterans Administration					
4300	64.015	Veterans State Nursing Home Care	9,355,860	0%	-
5600	64.124	All-Volunteer Force Educational Assistance	152,513	0%	-
1200	64.203	Veterans Cemetery Grants Program	515,153	0%	-
		Veterans Administration Total	**10,023,526**	**0%**	**-**

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State of New Hampshire
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Environmental Protection Agency					
9500	66.032	State Indoor Radon Grants	46,991	0%	-
4400	66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	273,707	0%	-
4400	66.040	State Clean Diesel Grant Program	684,663	95%	650,965
9500	66.204	Multipurpose Grants to States and Tribes	61,298	0%	-
4400	66.454	Water Quality Management Planning	150,724	31%	47,466
		Clean Water State Revolving Fund Cluster			
4400	**66.458**	**Capitalization Grants For Clean Water State Revolving Fund (Note 8)**	**13,615,981**	**96%**	**13,011,246**
4400	**66.482**	**Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds (Note 8)**	**-**	**0%**	**-**
		Clean Water State Revolving Fund Cluster Total	**13,615,981**	**96%**	**13,011,246**
4400	66.460	Nonpoint Source Implementation Grants	461,954	97%	449,767
4400	66.461	Regional Wetland Program Development Grants	176,868	21%	37,277
		Drinking Water State Revolving Fund Cluster			
4400	66.468	Capitalization Grants For Drinking Water State Revolving Fund (Note 8)	8,950,372	58%	5,182,329
4400	66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds (Note 8)	-	0%	-
		Drinking Water State Revolving Fund Cluster Total	8,950,372	58%	5,182,329
4400	66.605	Performance Partnership Grants	5,758,941	1%	62,168
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance	135,144	0%	-
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	198,197	0%	-
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	582,305	0%	-
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals	200,162	0%	-
4400	66.708	Pollution Prevention Grants Program	88,269	0%	-
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements	2,208,363	0%	-
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program	244,725	0%	-
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	699,841	0%	-
4400	66.817	State And Tribal Response Program Grants	826,152	0%	-
		Environmental Protection Agency Total	**35,364,657**	**55%**	**19,441,218**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Energy					
0240	81.041	State Energy Program	408,676	0%	-
0240	81.042	Weatherization Assistance For Low-Income Persons	1,772,120	89%	1,576,623
4400	81.086	DOE Clean Cities	45,811	0%	-
0240	81.119	State Energy Program Special Projects	36,129	98%	35,316
0240	81.138	State Heating Oil and Propane Program	5,575	0%	-
		Department of Energy Total	**2,268,311**	**71%**	**1,611,939**

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Department of Education					
5600	84.002	Adult Education - Basic Grants To States	1,835,576	93%	1,714,736
5600	**84.010**	**Title I Grants To Local Educational Agencies**	**40,994,595**	**98%**	**40,306,794**
5600	84.011	Migrant Education - State Grant Program	180,407	12%	21,357
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children And Youth	608,981	0%	-
		Special Education Cluster			
5600	84.027	Special Education - Grants To States (Note 8)	50,853,642	95%	48,442,281
5600	84.173	Special Education - Preschool Grants (Note 8)	1,451,779	99%	1,435,442
		Special Education Cluster Total	52,305,421	95%	49,877,723
5600	84.048	Career And Technical Education - Basic Grants To States	5,268,189	87%	4,593,925
5600	84.126	Rehabilitation Services - Vocational Rehabilitation Grants To States	9,395,553	3%	288,483
5600	84.144	Migrant Education - Coordination Program	139,651	19%	27,142
0205	84.161	Rehabilitation Services - Client Assistance Program	113,269	0%	-
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind	230,195	0%	-
9500	84.181	Special Education Grants For Infants And Families	1,971,451	88%	1,728,302
5600	84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	317,594	31%	99,987
5600	84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	86,320	0%	-
5600	84.196	Education For Homeless Children And Youth	238,423	80%	190,880
5600	84.282	Charter Schools	93,536	100%	93,536
5600	84.287	Twenty-First Century Community Learning Centers	5,467,720	96%	5,224,569
5600	84.323	Special Education - State Personnel Development	685,231	76%	518,811
5600	84.358	Rural Education	575,795	98%	564,378
5600	84.365	English Language Acquisition State Grants	944,169	83%	786,335
5600	84.367	Supporting Effective Instruction State Grants	9,462,744	97%	9,200,496
5600	84.369	Grants For State Assessments And Related Activities	2,970,753	71%	2,103,679
5600	84.377	School Improvement Grants	468,434	100%	467,176
5600	84.419	Preschool Development Grants	2,910	0%	-
5600	84.424	Student Support and Academic Enrichment Program	3,780,259	96%	3,627,402
5600	84.425	COVID-19 Education Stabilization Fund	11,728	38%	4,480
5600	84.902	NAEP State Coordinator	137,546	0%	-
5600	84.999	Department of Education Generic	12,136	66%	8,000
		Department of Education Total	**138,298,586**	**88%**	**121,448,191**

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U.S. Election Assistance Commission					
3200	90.401	Help America Vote Act Requirements Payments (Note 5)	203,669	0%	-
3200	90.404	2018 HAVA Election Security Grants (Note 5)	824,598	0%	-
		U.S. Election Assistance Commission Total	**1,028,267**	**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	11,286	0%	-
9500	93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	109,842	0%	-
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services	92,651	100%	92,559
		Aging Cluster			
9500	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 8)	1,652,121	73%	1,205,131
9500	93.045	COVID-19 Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 8)	1,200,000	99.9%	1,198,800
9500	93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 8)	4,819,532	74%	3,549,067
9500	93.053	Nutrition Services Incentive Program (Note 8)	1,188,604	100%	1,187,407
		Aging Cluster Total	8,860,257	81%	7,140,405
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects	202,341	82%	165,469
9500	93.052	National Family Caregiver Support, Title III, Part E	612,621	100%	609,716
9500	93.069	Public Health Emergency Preparedness	4,537,235	30%	1,345,230
9500	93.070	Environmental Public Health And Emergency Response	2,153,493	0%	-
9500	93.071	Medicare Enrollment Assistance Program	82,011	71%	57,967
9500	93.074	HPP AND PHEP Cooperative Agreement	257,381	0%	-
5600	93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	43,384	0%	-
9500	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	201,369	100%	200,479
9500 1800	93.103	Food And Drug Administration - Research	126,580	0%	-
5600	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances(SED)	3,465,818	89%	3,092,194
9500	93.110	Maternal And Child Health Federal Consolidated Programs	406,842	0%	-
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program	104,948	0%	-
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices	317,914	0%	-
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs	736,720	33%	246,374
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)	293,424	96%	281,424
9500	93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead	375,398	0%	-
9500	93.217	Family Planning - Services	421,259	59%	246,606
9500	93.236	Grants To States To Support Oral Health Workforce Activities	414,004	0%	-
9500	93.241	State Rural Hospital Flexibility Program	437,900	0%	-

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9500 5600	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	5,989,883	81%	4,838,037
9500	93.251	Universal Newborn Hearing Screening	212,770	0%	-
9500	93.268	Immunization Cooperative Agreements (Note 3)	28,384,023	1%	307,827
9500	93.270	Adult Viral Hepatitis Prevention And Control	167,774	0%	-
9500	93.283	Centers For Disease Control And Prevention - Investigations And Technical Assistance	96,746	0%	-
9500	93.301	Small Rural Hospital Improvement Grant Program	48,709	0%	-
9500	93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs	803,660	0%	-
9500	93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	144,349	0%	-
		Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			
9500	93.323	COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	178,263	0%	-
9500	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2,429,940	0%	-
		Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Total	2,608,203	0%	-
9500	93.324	State Health Insurance Assistance Program	305,403	76%	231,319
9500	93.336	Behavioral Risk Factor Survey	335,908	0%	-
		Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			
9500	93.354	COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	5,712,368	1%	70,980
9500	93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	190,468	63%	119,488
		Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	5,902,836	3%	190,468
9500	93.366	State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	344,377	0%	-
5600	93.369	ACL Independent Living State Grants	290,813	94%	274,225
2400	93.413	The State Flexibility to Stabilize the Market Grant Program	78,226	0%	-
9500	93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	1,467,639	0%	-
9500	93.448	Food Safety And Security Monitoring Project	632,856	0%	-
9500	93.478	Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	38,079	0%	-
9500	93.517	Affordable Care Act – Aging and Disability Resource Center	392,827	87%	341,731
9500	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity	27,156	0%	-
9500	93.556	Promoting Safe And Stable Families	601,104	0%	-
9500	**93.558**	**Temporary Assistance For Needy Families (TANF)**	**38,080,886**	**0%**	**-**
9500 2700 1000	**93.563**	**Child Support Enforcement**	**11,309,086**	**0%**	**-**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.566	Refugee And Entrant Assistance - State Administered Programs	1,355,066	0%	-
0240	93.568	Low-Income Home Energy Assistance	27,444,325	99%	27,180,832
9500	93.569	Community Services Block Grant	3,756,814	96%	3,612,087
		Child Care and Development Fund (CCDF) Cluster			-
9500	93.575	COVID-19 Child Care and Development Block Grant (Note 8)	6,999,268	0%	
9500	93.575	Child Care and Development Block Grant (Note 8)	9,681,123	0%	-
9500	93.596	Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 8)	10,183,085	0%	-
		CCDF Cluster Total	26,863,476	0%	-
9500	93.576	Refugee And Entrant Assistance - Discretionary Grants	48,272	0%	-
1000	93.586	State Court Improvement Program	263,222	0%	-
9500	93.597	Grants To States For Access And Visitation Programs	163,868	70%	114,868
9500	93.599	Chafee Education And Training Vouchers Program (ETV)	31,177	0%	-
9500	93.600	Head Start	145,402	0%	-
9500	93.603	Adoption and Legal Guardianship Incentive Payments	29,339	0%	-
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants	620,018	0%	1,000
9700	93.631	Developmental Disabilities Projects of National Significance (Subaward 18-033 from the University of New Hampshire)	13,973	0%	-
2000	93.643	Children's Justice Grants To States	83,405	3%	2,449
9500	93.645	Stephanie Tubbs Jones Child Welfare Services Program	612,281	0%	-
9500	93.652	Adoption Opportunities	93,437	0%	-
9500	**93.658**	**Foster Care - Title IV-E**	**21,236,650**	**0%**	**-**
9500	93.659	Adoption Assistance	4,197,547	0%	-
9500	**93.667**	**Social Services Block Grant**	**7,896,751**	**75%**	**5,937,188**
9500	93.669	Child Abuse And Neglect State Grants	80,536	0%	-
9500	93.670	Child Abuse and Neglect Discretionary Activities	511,488	0%	-
9500	93.671	Family Violence Prevention And Services / Battered Women's Shelters - Grants To States And Indian Tribes	759,758	0%	-
9500	93.674	Chafee Foster Care Independent Program	353,462	0%	-
9500	93.687	Maternal Opioid Misuse Model	762	0%	-
9500	93.767	Children`s Health Insurance Program	5,219	0%	-
		Medicaid Cluster			
2000	**93.775**	**State Medicaid Fraud Control Units (Note 8)**	**864,583**	**0%**	**-**
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Title XVIII) Medicare (Note 8)**	**1,942,934**	**0%**	**-**
9500	**93.778**	**Medical Assistance Program (Note 8)**	**1,316,670,482**	**0%**	**-**
		Medicaid Cluster Total	**1,319,477,999**	**0%**	**-**
9500	**93.788**	**Opioid STR**	**20,822,453**	**90%**	**18,665,748**
9500	93.791	Money Follows The Person Rebalancing Demonstration	961,633	0%	-

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	435,772	0%	-
9500	93.870	Maternal, Infant, and Early Childhood Home Visiting Grant Program	2,540,379	65%	1,656,064
9500	93.889	National Bioterrorism Hospital Preparedness Program	936,928	15%	136,187
9500	93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	2,006,316	16%	327,832
9500	93.913	Grants To States For Operation Of Offices Of Rural Health	116,077	0%	-
		HIV Care Formula Grants			
9500	93.917	COVID-19 HIV Care Formula Grants	19,950	0%	-
9500	93.917	HIV Care Formula Grants	1,237,909	0%	-
		HIV Care Formula Grants Total	1,257,859	0%	-
9500	93.940	HIV Prevention Activities - Health Department Based	840,172	35%	293,449
9500	93.945	Assistance Programs for Chronic Disease Prevention and Control	421,317	0%	-
9500	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	221,037	0%	-
9500	93.958	Block Grants For Community Mental Health Services	1,844,802	93%	1,713,452
9500	93.959	Block Grants For Prevention And Treatment Of Substance Abuse	4,611,272	83%	3,824,626
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	295,359	10%	30,614
9500	93.991	Preventive Health and Health Services Block Grant	1,911,796	14%	272,339
9500	93.994	Maternal And Child Health Services Block Grant To The States	2,236,612	38%	847,193
		Department of Health and Human Services Total	**1,580,032,022**	**5%**	**84,277,958**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Social Security Administration					
		Disability Insurance/SSI Cluster			
5600	96.001	Social Security - Disability Insurance (Note 8)	7,337,060	64%	4,688,150
5600	96.006	Supplemental Security Income (SSI) (Note 8)	-	0%	-
		Disability Insurance/SSI Cluster Total	7,337,060	64%	4,688,150
		Social Security Administration Total	**7,337,060**	**64%**	**4,688,150**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2020

State Agency	CFDA Number	Program or Cluster Title	2020 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Homeland Security					
2300	97.012	Boating Safety Financial Assistance	1,599,603	0%	-
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)	107,025	0%	-
2300	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 7)	4,599,900	24%	1,089,447
2300	97.039	Hazard Mitigation Grant	308,769	99%	305,951
4400	97.041	National Dam Safety Program	86,348	0%	-
2300	97.042	Emergency Management Performance Grants	3,575,490	30%	1,080,425
2300	97.043	State Fire Training Systems Grants	132	83%	-
2300	97.044	Assistance to Firefighters Grant	239,489	0%	199,917
2300	97.047	Pre-Disaster Mitigation	163,829	95%	156,365
2300	97.067	Homeland Security Grant Program	2,983,171	90%	2,675,581
		Department of Homeland Security Total	**13,663,756**	**40%**	**5,507,686**
		Grand Total of All Federal Assistance	**3,769,518,769**	**9%**	**345,044,076**

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2020 audit

STATE OF NEW HAMPSHIRE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, with the exception of certain component units identified in Note 1 of the basic financial statements.

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 $11,308,556 in federal expenditures, distributions, or issuances for the year ended June 30, 2020. 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. 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 2020. 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 2 - INDIRECT COST RECOVERY

New Hampshire's public laws of 2017 Chapter 156 created the Department of Business and Economic Affairs. This agency utilized the 10% de minimus cost rate allowed under certain conditions as prescribed by 2 CFR 200.414 during the fiscal year ended June 30, 2020.

The remaining agencies and departments of the State have historically negotiated indirect cost recovery rates with their cognizant federal agencies and do not utilize the 10% de minimus cost rate.

NOTE 3 - NONMONETARY FEDERAL FINANCIAL ASSISTANCE

Supplemental Nutrition Assistance Program – Expenditures of $112,564,185 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, 2020.

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	$ 5,271,698
10.558	Child and Adult Care Food Program	117,058
10.559	Summer Food Service Program for Children	7,737
10.565	Commodity Supplemental Food Program	944,988
10.569	Emergency Food Assistance Program (Food Commodities)	1,479,447
	Total:	**$7,820,928**

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 $39,201 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 $27,093,360 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	$ 276,144,733
Administrative Grants	16,549,760
Federal Employees	433,601
Ex-Servicemen	343,844
EUC08	(176,334)
FAC	(53,679)
Trade Act	58,588
Extended Benefits	1,027,435
ATAA	25,056
FPUC	681,514,552
PUA	23,130,325

Temp COMP Account	16,119,705
Short-Time Compensation (Federal)	1,468,957
US Emergency Relief Account	2,138,400
	$1,018,724,943

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, in November of 2011 an additional $1,425,000, in March of 2018 an additional $3,102,253 and in April of 2020 an additional $6,741,788 as part of the Help America Vote Act of 2002. The purpose of the funds is to establish 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, and 90.404) as of June 30, 2020, the State had expended a cumulative total of $14,539,923 of the $27,865,844 Election Reform payments received, leaving a remaining balance of $13,325,921.

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 $1,089,447 reported as amounts passed through to subrecipients for Public Assistance Disaster Grants for fiscal year 2020 represent reimbursements to local entities for disasters that have approved project worksheets and expenditures incurred for fiscal years 2020 and prior.

NOTE 8 - 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 (SNAP)	$	112,564,185
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		10,336,750
	SNAP Cluster Total	$	122,900,935
Child Nutrition Cluster			
10.553	School Breakfast Program (SBP)	$	3,748,099
10.555	National School Lunch Program (NSLP)		28,015,221
10.556	Special Milk Program for Children (SMP)		109,769
10.559	Summer Food Service Program for Children (SFSPC)		1,134,741
	Child Nutrition Cluster Total	$	33,007,830
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program	$	1,228,388
10.568	Emergency Food Assistance Program (Administrative Costs)		304,139
10.569	Emergency Food Assistance Program (Food Commodities)		1,479,447
	Food Distribution Cluster Total	$	3,011,974
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration Program	$	3,049,602
15.611	Wildlife Restoration and Basic Hunter Education		2,595,014
15.626	Enhanced Hunter Education and Safety Program		64,577
	Fish and Wildlife Cluster Total	$	5,709,193
Employment Service Cluster			
17.207	Employment Service/Wagner – Peyser Funded Activities	$	2,976,934
17.801	Disabled Veterans' Outreach Program (DVOP)		615,505
17.804	Local Veterans' Employment Representative (LVER) Program		-
	Employment Service Cluster Total	$	3,592,439

CFDA #	Program Title		Expenditures
Workforce Investment Opportunity Act (WIOA) Cluster			
17.258	WIOA Adult Program	$	1,737,326
17.259	WIOA Youth Activities		1,981,850
17.278	WIOA Dislocated Worker Formula Grants		1,656,567
	WIOA Cluster Total	$	5,375,743
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	$	184,279,742
20.219	Recreational Trails Program		1,085,206
20.224	Federal Lands Access Program		328,286
23.003	Appalachian Development Highway System		-
	Highway Planning and Construction Total	$	185,693,234
Federal Transit Cluster			
20.500	Federal Transit - Capital Investment Grants	$	34,837
20.507	Federal Transit – Formula Grants		6,254,346
20.525	State of Good Repair Grants Program		-
20.526	Bus and Bus Facilities Formula Program		21,995
	Federal Transit Cluster Total	$	6,311,178
Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals With Disabilities	$	1,479,999
20.516	Job Access – Reverse Commute		-
20.521	New Freedom Program		41,741
	Transit Services Programs Cluster Total	$	1,521,740
Highway Safety Cluster			
20.600	State and Community Highway Safety	$	2,313,742
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants		-
20.602	Occupant Protection Incentive Grants		-
20.609	Safety Belt Performance Grants		-
20.610	State Traffic Safety Information System Improvement Grants		-
20.611	Incentive Grant Program to Prohibit Racial Profiling		-
20.612	Incentive Grant Program to Increase Motorcyclist Safety		-
20.613	Child Safety and Child Booster Seat Incentive Grants		-
20.616	National Priority Safety Programs		1,948,334
	Highway Safety Cluster Total	$	4,262,076

CFDA #	Program Title		Expenditures
Clean Water State Revolving Fund Cluster			
66.458	Capitalization Grants for Clean Water State Revolving Funds	$	13,615,981
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds		-
	Clean Water State Revolving Fund Cluster Total	$	13,615,981
Drinking Water State Revolving Fund Cluster			
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$	8,950,372
66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds		-
	Drinking Water State Revolving Fund Cluster Total	$	8,950,372
Special Education Cluster			
84.027	Special Education-Grants to States	$	50,853,642
84.173	Special Education-Preschool Grants		1,451,779
	Special Education Cluster Total	$	52,305,421
Aging Cluster			
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services	$	1,652,121
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services		6,019,532
93.053	Nutrition Services Incentive Program		1,188,604
	Aging Cluster Total	$	8,860,257
Child Care and Development Fund (CCDF) Cluster			
93.575	Child Care and Development Block Grant	$	16,680,391
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		10,183,085
	CCDF Cluster Total	$	26,863,476
Medicaid Cluster			
93.775	State Medicaid Fraud Control Units	$	864,583
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		1,942,934
93.778	Medical Assistance Program		1,316,670,482
	Medicaid Cluster Total	$	1,319,477,999
Disability Insurance/SSI Cluster			
96.001	Social Security--Disability Insurance (DI)	$	7,337,060
96.006	Supplemental Security Income (SSI)		-
	Disability Insurance/SSI Cluster Total	$	7,337,060

NOTE 9 – DONATED PERSONAL PROTECTIVE EQUIPMENT

In response to the COVID 19 pandemic, the federal government donated PPE with an estimated fair market value of approximately $6.7 million to the State of New Hampshire. Per the 2020 Compliance Supplement Addendum, this amount is not included in the Schedule of Expenditures of Federal Awards and is not subject to Audit. Therefore, this amount is unaudited.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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?	X	yes	_____	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 #16.575 Crime Victim Assistance–**Qualified**
CFDA #17.225 Unemployment Insurance-**Qualified**
CFDA #84.010 Title I Grants to Local Educational Agencies – **Qualified**
CFDA #93.558 Temporary Assistance for Needy Families – **Qualified**
CFDA #93.658 Foster Care Title IV-E - **Qualified**
CFDA# 93.667 Social Services Block Grant – **Qualified**
CFDA# 93.775, 93.777, 93.778 Medicaid Cluster – **Qualified**
CFDA# 93.788 Opioid STR - **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, 2020

Identification of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
Highway Planning and Construction Cluster	
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
20.224	Federal Lands Access Program
23.003	Appalachian Development Highway System
Clean Water State Revolving Fund Cluster	
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grant for Clean Water State Revolving Funds
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	
12.400	Military Construction, National Guard
12.401	National Guard Military Operations and Maintenance Projects
16.575	Crime Victim Assistance
17.225	Unemployment Insurance
21.019	COVID-19 Coronavirus Relief Fund
84.010	Title I Grants to Local Educational Agencies
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.658	Foster Care Title IV-E
93.667	Social Services Block Grant
93.788	Opioid STR

Dollar threshold used to distinguish between
Type A and Type B Programs: $11,308,556

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Part II - Financial Statement Findings

All Findings and questioned costs related to State's basic financial statements are required to be reported in accordance with *Government Auditing Standards* are presented beginning on page F-4.

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- 6.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Part II – Findings Relating to the Financial Statements in Accordance with *Government Auditing Standards*

2020-001 Department of Administrative Services (DAS) and Department of Revenue Administration (DRA) Credit Carryovers

Background

At the time a tax return is filed, a credit carryover obligation (CCO) represents the amount of overpaid Business Profit Taxes (BPT) and/or Business Enterprise Taxes (BET), a taxpaying entity elects to apply to future tax obligations rather than request a refund. Based on tax returns filed through June 30, 2020, the State estimated a gross CCO balance of approximately $269.9 million.

Observation

Based on a recommendation from KPMG, the Department of Revenue Administration (DRA) amended its policy for calculating credit carryovers. The new policy analyzes historical trends to identify the amount of CCO that will be applied towards a taxpaying entity's current fiscal tax obligation, the remainder representing a tax refund liability.

Of the $269.9 million gross credit carryovers, DRA estimates $203.5 million will be applied towards fiscal 2020 tax obligations, leaving the State with a liability due to taxpayers of $66.4 million as of June 30, 2020.

The State, however, has not recorded this liability as of June 30, 2020.

Recommendation

We recommend the State record an estimated tax refund payable at year-end based on DRA's analysis. Additionally, we recommend consideration be given to expanding the credit carryover analysis to include the impact on both the General Fund and the Education Trust Fund as BPT and BET taxes are reported in both of those funds.

Management Response

Since fiscal year 2011, the State has conducted a detailed analysis which calculates the expected amount of overpaid taxes to be refunded, however, the State historically has not adjusted the cash basis tax revenues for this potential liability for refundable taxes. The State allows taxpayers to leave overpayments "on balance" with the Department of Revenue Administration (DRA), and extensive past history has shown that taxpayers do not generally request these funds to be refunded, but typically utilize credit carryovers to satisfy future quarterly estimate payments.

During the course of the fiscal 2020 audit, DAS consulted with DRA to determine the estimated credit carryover liability at the end of the fiscal year. This included certain assumptions based on taxpayer reported data as of fiscal year-end, as well as subsequent taxpayer filing patterns based on a multi-year historical analysis. The result of this analysis is viewed by the State as a potential liability for credit carryovers, however, the State believes that much of this remaining liability remains "on balance" at the taxpayer's choice. There is a low probability this balance would be utilized or paid out, thus it does not meet the criteria for recording as a liability in the General Fund or Education Trust Fund, under the State's statutory accounting policy.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

While the State's accounting policy was discussed with legislative leadership based on a similar audit finding for fiscal year 2019, DAS will continue to evaluate the impact to the reported balances in the General Fund and Education Trust Fund and work with the DRA and legislative policy makers to determine the value of leaving credit carryovers on account, for an indefinite timeframe. Limiting this would help to minimize the long-term, unknown nature of the liability and provide consistency with the State's budget methodology, which measures obligations on General and Education Trust Fund surplus that are going to be satisfied from current financial resources. The State will also need to continue to evaluate if sufficient data can be obtained in order to determine the amount of credit carryover liability that would be attributable, separately, to the General Fund and Education Trust Fund.

The State expects to conduct its review by June 30, 2021, and if warranted, would consider any changes in accounting policy for implementation in fiscal year 2021.

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SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Part III – Findings and Questioned Costs Relating to Federal Awards

Finding Reference Number: 2020-002

NH Department of Justice

Crime Victim Assistance (16.575)

Federal Award Numbers: 2016-VA-GX-0061, 2017-VA-GX-0044, 2018-V2-GX-0036

Federal Award Year: 2016, 2017, 2018

U.S. Department of Justice

Compliance Requirement: Reporting

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2019-005

Statistically Valid Sample: No

Criteria

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated. Electronic versions of the standard forms are located on agency's home page.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 testwork over the federal reporting process, we were unable to agree the current period expenditures reported to external supporting documentation for each of the 5 reports selected for testwork. The Department prepared each federal financial report (FFR) using internally prepared spreadsheets, referred to as VOCA spreadsheets. The Department continuously updates these spreadsheets and did not save the version that was used to prepare the FFR. In addition, the Department did not maintain documentation of a formal reconciliation between the VOCA spreadsheets and the State of New Hampshire's centralized accounting system, NH First, at the time of filing. As such, we were unable to agree the amounts reported on the FFR to the underlying supporting records or verify whether the federal reports filed were complete and accurate. The Department did provide an additional reconciliation file to support the completeness and accuracy of the federal reports but we were unable to agree this file to the NH First detail provided by the Department to support reporting of expenditures on the schedule of expenditures of federal awards. The Department also provided guidance from the United States Department of Justice, Office of the Chief Financial Officer, indicating that previously submitted FFR's are unable to be modified to fix any errors. Changes to previous FFR's must be indicated in the most recently filed FFR.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Cause

The cause of the condition found was primarily due to the lack of internal controls and procedures in place to ensure documentation to support the FFR, as filed, is maintained by the Department and that the internal spreadsheets used to prepare the FFR reconcile to NH First.

Effect

The effect of the condition found is that the Department may not have filed accurate federal reports.

Questioned Costs

Not determinable.

Recommendation

We recommend the Department review its existing policies and implement internal control procedures to ensure it complies with federal financial reporting requirements. These procedures should include that for each FFR filed, the Department maintains accounting records which support the amounts reported. We also recommend that the Department take steps to ensure the records maintained internally agree to the State's accounting system of record, NH First.

View of Responsible Officials

The Department of Justice agrees with this recommendation. The internal controls involved with the FFR process have been enhanced since the end of the audit period, to include reporting FFR's from the grant spreadsheets after they are reconciled to NH First data. All grant expenditures and revenues, including administrative costs, are now tracked using activity codes that correlate to each grant. The Grants Management Unit (GMU) reconciles the data each month and reports into the FFR's quarterly, as required. The spreadsheets that are used for reporting the FFR are now saved for each reporting period. The GMU Policy and Procedures have been updated to reflect these changes.

Anticipated Completion Date

Complete

Contact Person

Thomas Kaempfer

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-003

NH Department of Employment Security

Unemployment Insurance (17.225)

Federal Award Numbers: Not Applicable

Federal Award Year: Not Applicable

U.S. Department of Labor

Compliance Requirement: Special Tests and Provisions: UI Program Integrity - Overpayments

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Pub. L. No. 112-40, enacted on October 21, 2011, and effective October 21, 2013, amended sections 303(a) and 453A of the Social Security Act and sections 3303, 3304, and 3309 of FUTA to improve program integrity and reduce overpayments. (See UIPL Nos. 02-12, Changes 1 and 2 https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6707.) States are (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) states are prohibited from providing relief from charges to an employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information. States may continue to waive recovery of overpayments in certain situations and must continue to offer the individual a fair hearing prior to recovery.

Section 2103 of Pub. L. No. 112-96 amended FUTA and the Social Security Act to require states to recover overpayments through an offset against UC payments. States must enter into two agreements prior to commencing the recoveries: the Cross Program Offset and Recovery Agreement (see UIPL No. 05-13), which allows states to offset state UI from federal UI overpayments, and the Interstate Reciprocal Overpayment Recovery Agreement, which allows states to recover overpayments from benefits being administered by another state.

States that recover EUC08 and EB overpayments must ensure that the recovered payments are returned to EUCA in chronological order from the date the overpayment was established, identifying the program source (EUC08 or EB) when the funds are returned to the UTF. In addition, any Federal Additional Compensation (FAC) that is re- covered must be returned to the UTF.

The Bipartisan Budget Act of 2013 (Pub. L. No. 113-67) amended Section 303 of the Social Security Act to require states to utilize the Treasury Offset Program (TOP), authorized by Section 6402(f)(4), Internal Revenue Code (IRC), to recover covered unemployment compensation debts that remain uncollected one year after the debt was determined to be due. Covered unemployment compensation debts include benefit overpayments due to fraud and benefit overpayments due to a claimant's failure to report earnings. Some states may need to amend their UI law in order to have the authority to collect overpayments through TOP. In addition, states will also need to enter into an agreement with Treasury. See UIPL No. 02-19 and UIPL No. 12-14 for guidance on the implementation of the TOP requirement. Please note that IRC 6103(l)(10) restricts access to TOP federal tax information (FTI). The access limitation extends to contractors employed by the state, including those managing state technology

systems that process and store TOP FTI, and to auditors engaged to conduct the Single Audit process, whether they are contractors or employees of the state. DOL recognizes that this restriction to accessing TOP FTI used for benefit administration prevents state auditors from meeting the audit objectives concerning a state's use of TOP for the recovery of UI improper payments. Because of this legal restriction, DOL does not expect auditors to create an audit issue or finding based on their lack of access to TOP FTI.

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

New Hampshire Employment Security (NHES or the Department) is responsible for (a) properly identifying and handling overpayments, including, as applicable, assessment and deposit of penalties and not relieving employers of charges when their untimely or inaccurate responses cause improper payments and (b) offsetting all debts resulting from an overpayment of the individual's benefit payments. The New Hampshire Unemployment Insurance System (NHUIS) actively reviews benefit claims for authenticity and establishes overpayments if it finds that a claimant was paid benefits they were not entitled to and it is the Department's responsibility to further investigate these overpayments to determine legitimacy.

During our testwork over overpayments, we noted the following:

A. For 1 of 40 items selected for testwork, NHES was unable to initially identify the cause of an overpayment. Once NHES received additional information from the claimant verifying the authenticity of their separation from unemployment, NHES did not appropriately waive the overpayment and incorrectly sought a recoupment from the claimant.

B. For 1 of 40 items selected for testwork, NHUIS erroneously reestablished an overpayment for a benefit paid on 1/9/2010. This benefit was paid during the first week of the claimant's Benefit Year as the waiting week requirement had not been implemented at that time. In response to the pandemic and as dictated by the CARES Act, NHES waived the waiting week requirement for any claims filed subsequent to Benefit Week Ending (BWE) 3/14/2020 through a system change in the NHUIS system. As a result of the system change, NHUIS identified any payment made in the first week of a claimant's benefit year prior to 3/21/2020 as an overpayment. To help identify the overpayment errors created by NHUIS, NHES ran a query to identify and expunge similar overpayments which were erroneously generated by the system. The item identified as part of our testwork however was not identified as part of the query that NHES ran and has been outstanding since as an inaccurate overpayment.

C. For 1 of 40 items selected for testwork, the claimant was required to offset future benefit payments to repay an overpayment which occurred due to a system error. The NHUIS system change to waive the waiting week requirement was initially coded incorrectly to take effect for BWE 3/14/2020, when it should have been coded to take effect for BWE 3/21/2020. This claimant submitted their initial application for benefits during BWE 3/14/2020 and received a payment rather than serving a waiting week. When NHES discovered the programming error, NHUIS identified any claimant who was paid benefits for BWE 3/14/2020 who should have been serving their waiting week to be overpaid and issued a determination requiring repayment. The selected claimant had their overpayment offset with subsequent weeks' benefit payments. The claimant should not have been required to repay this

overpayment as it was created due to no fault of their own and was an improper recoupment of benefits.

D. For 1 of 40 items selected for testwork, NHES was unable to identifying the cause of an overpayment within NHUIS because NHUIS does not allow NHES to identify a cause when an overpayment is established due to a monetary redetermination. The claimant had sufficient regular wages to establish a regular UI monetary rate, but they also had self-employment wages. NHES staff incorrectly entered the claimant's regular wages and self-employment wages into NHUIS, which caused NHUIS to incorrectly default to establishing a Pandemic Unemployment Assistance (PUA) monetary rate for the claimant, rather than a regular UI benefit rate which should have been established. When the mistake was identified, NHUIS issued a monetary redetermination and identified all PUA benefit payments to have been overpaid. Since the claimant had no fault in creating the overpayment, and the PUA and UI benefit rates were the same, NHES issued a manual no fault determination to correct the overpayment resulting from the monetary redetermination.

Cause

The cause of the condition found was a result of unforeseen side effects of system changes made to NHUIS. During the period ending June 30, 2020, in response to the COVID-19 pandemic, NHES made system changes to NHUIS to waive the waiting week eligibility requirement and implement other pandemic-related monetary programs. These changes however triggered several unintended side effects within NHUIS that NHES had not anticipated as NHUIS took these system changes and applied them to every benefit ever paid to ensure compliance with the new criteria.

Effect

The effect of the condition found is that NHUIS identified erroneous overpayments which were inappropriately recouped from the claimant.

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the authenticity of overpayments identified by NHUIS and implement procedures to ensure that overpayments that are inaccurately identified are closed timely in order to prevent an inappropriate recoupment of benefits paid to the claimant.

In addition, NHES should review its existing policies and procedures for implementing system changes to ensure that NHES analyzes future system changes to NHUIS prior to implementation to assist with the understanding and identification of unintended consequences to that they can be timely addressed.

View of Responsible Officials

New Hampshire confirms the validity of these findings.

A: This is the result of a staff error in processing the claim. As a result of the Pandemic, we have had to hire and train a significant number of new staff. Due to workload demands, many of these staff did not receive the level of training we would normally consider adequate in order to begin adjudication. We are now providing additional training to all of our new adjudication staff and are also requiring all adjudicators to participate in the National Association of State Workforce Agencies (NASWA) offered

adjudication training. New adjudicators have completed this NASWA training and experienced adjudicators are expected to begin next week, 5/23-29/2021. Unfortunately, due to the nature of the error, we are unable to identify claimants that may have this same experience. We consider this item to be resolved.

B: Two system issues resulted in this claimant being found overpaid for a week occurring in 2010. The first, when a claimant files a new claim or when a new monetary is issued, the system completes a "pay adjustment". This pay adjustment caused the system to do a look back and correct any possible payment errors on any previous claims. We have since programmed our system to look back no further than five years when completing a pay adjustment.

The second issue involves an oversight in the initial programming of the waiting week. The waiting week was incorporated into our law in 2010 with an effective date after this claimant had initially filed for benefits. This claimant should not have been subject to a waiting week. Our system had been programmed to recognize the week being paid, and do a look back to the beginning of the benefit year. If a waiting week had not been served the system would identify the first payable week to serve as the waiting week. In so doing, it neglected the fact that this claimant's effective date was prior to the legislation requiring a waiting week be served. We have since added another parameter. The system will also now consider the effective date of the claim. It is a rather simple solution – the system will identify whether or not the effective date of the claim falls within a period in which a waiting week is required. If this first criteria is met, the system will then allocate the first payable week as the waiting week. This one correction will prevent the system from identifying a waiting week during a period in which no waiting week should have been served. We will consider this item to be resolved as of June 19, 2021, expected implementation of this new code.

C: At the onset of the pandemic, guidance was slow to come out. Initial DOL guidance allowed for flexibilities in the provision of a waiting week. NH implemented the waiver of the waiting week with the assumption the waiting week could be waived as far back as 2/8/2020, the effective date of the PUA program. Later guidance contradicted this assumption. Instead, we were only able to waive waiting weeks after execution of our agreement with the DOL. This resulted in us having to reverse the code waiving the waiting week for week ended 3/15. This did result in some claimants being found overpaid. While we immediately waived the overpayment where overpayments existed, we had not run a query to determine if claimants had repaid these overpayments. We have since run that query and will be crediting these repayments where appropriate. In all of the cases identified thus far, claimants have exhausted all of their entitlement to benefits for the period in question. If a claimant is found overpaid and pays that money back, it is restored to their MBA balance. If they then proceed to exhaust all of the benefits available to them, they have, essentially, received this money. There is no additional money to return to them. We consider this item to be resolved.

D: New Hampshire has identified two situations in which this can occur. The first pertains to monetary determinations (as was the situation with this claimant). Prior to the Pandemic, a redetermination of a monetary decision which resulted in an overpayment, was always the fault of the claimant. Usually the result of wages being added based upon claimant affidavit which later turns out to be an inaccurate representation. As a result we did not have code in our system to allow for fault determinations or waivers if they are related to monetary determinations. With the addition of PUA, it became quite likely that a change in programs could result in an overpayment for the claimant where the claimant is not at fault. This occurs when the minimum PUA WBA is higher than the claimant UI WBA. We have redesigned the operation of our monetary determination process in our benefit payment system and expect to promote this new code to production by June 30, 2021. This code will allow for the system to

determine fault in certain circumstances but will also allow for staff to indicate fault and waive resulting overpayments when issuing the monetary redetermination. We will no longer need to issue manual monetary redeterminations indicating fault.

The second instance in which this can occur is with PUA determinations. The overpayment and collections activities for the PUA program was last in the order of development. We have since completed the development of these components.

For both of these situations, New Hampshire is engaged in a "clean-up" process. We have run queries to identify all who may fall into these situations and will waive the corresponding overpayments and refund any moneys that are due the claimant. This will be an ongoing effort. We will continue to run these queries through the duration of the program to ensure we include all individuals this may affect.

NH will consider the coding portion of this item to be resolved as of June 30, 2021. We expect the clean-up process to continue through the end of the year, 12/31/2021.

Anticipated Completion Date

A: Resolved

B: June 19, 2021

C: Resolved

D: System Coding – 06/30/2021; Clean-up activities will continue through 12/31/2021.

Contact Person

Michael Burke

Michael.h.burke@nhes.nh.gov

603-447-1463

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-004

NH Department of Employment Security

Unemployment Insurance (17.225)

Federal Award Numbers: Not Applicable

Federal Award Year: Not Applicable

U.S. Department of Labor

Compliance Requirement: Special Tests and Provisions: UI Reemployment Programs: Worker Profiling and Reemployment Service and Eligibility Assessments

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Reemployment Services and Eligibility Assessments (RESEA) is authorized by Section 306 of the Social Security Act and builds on the success of RESEA's predecessor, the former UI Reemployment and Eligibility Assessment (REA) program. RESEA uses an evidence-based integrated approach that combines an eligibility assessment for continuing UI eligibility and the provision of reemployment services. RESEA is a voluntary program. Operating guidance for the RESEA program is updated annually. UIPL 7-19 provides RESEA operating Guidance for FY 2019.

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

New Hampshire Employment Security (NHES) is responsible for administering the Reemployment Services and Eligibility Assessments (RESEA) program, including the compilation of quarterly reports. These reports detail the total number of cases scheduled, completed, and other performance indicators. Prior to submission to the US Department of Labor, the quarterly reports are reviewed by responsible staff. NHES states that the reports are reviewed on an informal and ongoing basis, but the review is not consistently evidenced.

Cause

The cause of the condition is a primarily due to a lack of formalized procedures over the review process and inconsistent evidence of review having been performed.

Effect

The effect of the condition found is that without formalized procedures, NHES is at risk of inconsistently performing reviews or applying different review criteria over each quarterly RESEA report.

Questioned Costs

None.

Recommendation

We recommend that NHES implement appropriate controls and procedures to ensure that each quarterly RESEA report is subject to a documented review, that the review performed is consistent and reviews the completeness and accuracy of the data submitted.

View of Responsible Officials

The Operations Unit within the Employment Service Bureau has hired a Program Specialist I to work within the unit and to perform duties associated with a Quality Assurance role. This individual will be trained on the Reemployment Services and Eligibility Assessment Program (RESEA) and will be involved in the quarterly review process associated with the Program. This Program Specialist I will receive the quarterly reports that are compiled by the Program Specialist III in the Operations Unit that helps to oversee the RESEA Program. Both the Program Specialist III and Program Specialist I will review the quarterly reports to ensure that the reports are complete and that they are reviewed on a formal, ongoing basis. The review will focus on ensuring that the information in the report reflects accurate and complete data.

The Program Specialist III or the Program Specialist I will document that he/she has completed the review of the compiled quarterly reports for the RESEA Program prior to the reports being submitted to the US Department of Labor. This review process will be two steps, 1. Reviewed by which the Program Specialist I will review each of the 22 reportable items with a developed excel process that will be kept on file and then 2. Either the Program Specialist III or the Program Specialist I will sign off on the review.

Anticipated Completion Date

June 30, 2021

Contact Person

Sarah Morrissey, Employment Services Bureau Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-005

NH Department of Employment Security

Unemployment Insurance (17.225)

Federal Award Numbers: Not Applicable

Federal Award Year: Not Applicable

U.S. Department of Labor

Compliance Requirement: Special Tests and Provisions: UI Benefit Payments

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 codified the requirement for valid statistical estimates of improper payments. SWAs are required by 20 CFR section 602.11(d) to operate and maintain a quality control system. The Benefits Accuracy Measurement (BAM) program is DOL's quality control system designed to assess the accuracy of UI benefit payments and denied claims, unless the SWA is excepted from such requirement (20 CFR section 602.22). The program estimates error rates, that is, numbers of claims improperly paid or denied and dollar amounts of benefits improperly paid or denied, by projecting the results from investigations of small random samples to the universe of all claims paid and denied in a state. Specifically, the SWA's BAM unit is required to draw a weekly sample of payments and denied claims, complete prompt, and in-depth investigations to determine the degree of accuracy in the administration of the state UC and federal law (20 CFR section 602.21(d)). DOL has promulgated investigational requirements and instructions in ET Handbook No. 395 (see below), pursuant to 20 CFR section 602.30(a). As presented in the handbook, the investigation involves a review of the records, and contacting the claimant, employers, and third parties (either in-person, by telephone, or by fax) to complete standard questionnaires and conduct new and original fact-finding to assess all of the information pertinent to the paid or denied claim that was sampled. BAM investigators review cases for adherence to state law as well as federal law and official policy. For claims that were overpaid, underpaid, or erroneously denied, the BAM investigator determines the amount of payment error or, for erroneously denied claims, the potential eligibility of the claimant; the cause of and the responsibility for any payment error; the point in the UI claims process at which the error was detected; and actions taken by the agency and employer prior to the payment or denial decision that is in error. BAM covers state UC, UCFE, and UCX.

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

During our testwork over the Benefit Accuracy Management Process (BAM) within New Hampshire Employment Services (NHES or Department), we noted the following:

A. For 1 of 40 BAM reviews selected for testwork, NHES was unable to locate the documentation to support that the case review had been conducted.

B. For 1 of 40 BAM reviews selected for testwork, the case review did not include the Summary Sheet that is required to be completed. The Summary Sheet contains the summary of the investigation and is required to be signed and dated by the investigator that completed the review.

C. For 2 of 40 BAM reviews selected for testwork, the investigator did not sign the Summary Sheet indicating that the investigation was complete and contained all the necessary elements that are required to be reviewed.

Cause

The cause of the condition found is primarily due to the vacancy of the Quality Control Unit (QCU) Supervisor position. The QCU Supervisor position was vacant from April 2019 through September 2019. A former investigator served as the acting Supervisor until a permanent replacement was found. Also, during this time, an investigator departed the unit and left several open cases which the acting supervisor was responsible for completing. The acting supervisor was unable to ensure each case met the required components of BAM case reviews.

Effect

The effect of the condition found is that BAM reviews may not have been performed in accordance with federal regulations and errors identified as a result of the BAM review may not be followed up on timely.

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department review its existing policies and procedures and implement controls to ensure that all BAM reviews are properly reviewed for completeness and accuracy by a supervisor. This review should help ensure that all required documentation is maintained to support that the BAM review has been completed and all appropriate actions that need to be taken as a result of the review are performed timely.

View of Responsible Officials

The Department agrees with the finding above.

A. For 1 of 40 cases selected for testwork, NHES was unable to locate the documentation to support that the case review had been conducted. The QC Supervisor acknowledges they were unable to locate the physical case file (despite the fact that the case review was indeed completed and had been used by a new QC Investigator as a reference and training tool). It should be noted that upon completion of the case review, the QC Investigator is required to enter the case coding into the USDOL software via the Interface, commonly referred to as the Sun System. The results can be retrieved in a Coding Summary format for examination at any time and the QC Unit has the ability to show the results in the Sun System to demonstrate that this review was in fact conducted and completed. The Department agrees that for audit purposes, the entire case file must be provided so that it can be reviewed in its entirety for accuracy and completeness. A copy of the Benefit Accuracy Measurement Denied Claims Accuracy Data Collection Instrument (DCI)

Report associated with the missing case file is provided as an attachment to this response for the sole purpose of verifying that the review was, in fact, completed.

B. For 1 of the 40 BAM reviews selected, the case review did not include the Summary Sheet that is required to be completed. This omission was a direct result of the departure of a QC Investigator who had 12 incomplete cases remaining that needed to be completed. These 12 cases were divided up among the remaining Investigators who were already carrying full caseloads of their own. The case was completed but the Summary Sheet was unfortunately left undone, no doubt due to the time and workload constraints. The Department agrees that the inclusion of a completed and signed Summary Sheet is required for all BAM investigations and that the missing Summary Sheet should have been noted and addressed by the designated supervisor during the case review process. The QC Supervisor will ensure that every case is thoroughly reviewed for completeness and accuracy and includes a completed and signed Summary Sheet in accordance with its internal QC Procedures manual and the USDOL ETA HB 395 Benefit Accuracy Measurement State Operations Handbook.

C. For 2 of the 40 BAM Reviews selected, the investigator did not sign the Summary Sheet indicating that the investigation was complete and contained all the necessary elements that are required to be reviewed. While the Supervisor reviewing the case overlooked the fact that the Summary sheets were not physically signed by the Investigator, the cases were signed off by the Investigator in the Sun System, indicating completeness. The Investigator would not have been able to produce the Coding summary sheet if all of the elements requiring review had not been completed and the QC Supervisor would not have been able to give final approval to the case in the Sun System unless the Investigator had completed their sign off there. There are checks and balances within the BAM software that prevent an incomplete case from being entered. The Department agrees that the Summary Sheets should have been signed and that the missing signatures should have been noted and addressed by the designated supervisor during the case review process. To prevent future errors or omissions, the QC Supervisor will ensure that every case is thoroughly reviewed for completeness and accuracy and includes a completed and signed Summary Sheet in accordance with its internal QC Procedures Manual and the USDOL ETA HB 395 Benefit Accuracy Measurement State Operations Handbook.

We concur that the vacancy of the QC Supervisor position, together with the departure of a seasoned investigator leaving several open cases were contributing factors.

The QC Supervisor position was vacant from May 2019 through September 2019 following the retirement of the former QC Supervisor on April 30, 2019 following 15 + years in the position. The Claims Representative Program Supervisor, who was the regular back-up supervisor for the QC Supervisor and regularly assisted with the case review and sign-off process, assumed this back-up role, in addition to her regular duties, until the position was filled. The back-up supervisor had 3.5 years of experience as QC Investigator prior to her promotion to the Claims Rep. Program Supervisor position. This information is provided for clarification purposes only and does not in any way counter our agreement that administrative errors did, in fact, occur.

The Department and USDOL regularly review existing policies and procedures and implement controls to ensure all BAM reviews are properly reviewed for completeness and accuracy by a supervisor. Steps have already been taken to implement the corrective action recommended with the hiring of a new Quality Control Supervisor on September 27, 2019 and the hiring of a new Quality Control Investigator on January 31, 2020. The new QC Supervisor continues participate in ongoing training to include the review of BAM Supervisory case review requirements and regulations per the NH QC Procedures Manual and the USDOL ETA HB 395.

Anticipated Completion Date

Resolved, effective June 30, 2020.

Contact Person

Colleen O'Neill, Assistant to the Commissioner

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-006

NH Department of Transportation

Highway Planning and Construction Cluster (20.205, 20.219, 20.224)

Federal Award Numbers: 2017G996115

Federal Award Year: 2017

U.S. Department of Transportation

Compliance Requirement: Suspension and Debarment

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

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 those procurement 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 recipient (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.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at https://www.sam.gov/portal/public/SAM/ (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 testwork over suspension and debarment, for 8 of 9 subrecipients selected for testwork, we noted that the New Hampshire Department of Transportation (the Department) did not verify whether its subrecipients were suspended or debarred before entering into covered transactions. Based on our review of the System for Award Management (SAM) Exclusions website, none of the subrecipients selected for testwork were included within the exclusion list indicating that they had been suspended or debarred.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Cause

The cause of the condition found is that the Department began including a suspension and debarment certification in municipal agreements for all new grant agreements entered into during fiscal year 2018. However, the certification was not retroactively obtained, and the agreements reviewed as part of our audit were entered into prior to the implementation of the Department's change in policy.

Effect

The effect of the condition found is that the Department could have entered into an agreement with a subrecipient that had been suspended or debarred from receiving federal funds and would not have the necessary controls and procedures to identify the noncompliance timely.

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department continue to review its existing policies, procedures and related controls to ensure a signed suspension and debarment certification is in place or the excluded parties listing is reviewed prior to entering into a covered transaction with subrecipients. The Department should also consider whether or not procedures should be implemented to independently review the System for Award Management Exclusions website to confirm if a subrecipient has been suspended or debarred for active subrecipient grant agreements in which the agreement was entered into prior to the date of implementing the new vendor suspension and debarment certification form.

View of Responsible Officials

NHDOT had added a suspension and debarment certification to the Municipal Agreement to be attested to by the sub-recipient in 2018 after the prior Single Audit finding in 2017. As noted the only test sample signed since 2018 does have the certification included in the agreement. Previously signed agreements were prior to the audit period and were not included in our scope for adjustment. As recommended, the Department will review its existing policies and procedures and consider whether to independently review the SAM exclusions website to confirm if a sub-recipient has been suspended or debarred for those active grant agreements that were entered into prior to July 1, 2018.

Anticipated Completion Date

Previously completed in 2018. Review to be completed by December 2021.

Contact Person

Bill Watson, Administrator, Bureau of Planning and Community Assistance

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-007

NH Department of Transportation

Highway Planning and Construction Cluster (20.205, 20.219, 20.224)

Federal Award Numbers: 2020G996115, 2021G996115

Federal Award Year: 2020,2021

U.S. Department of Transportation

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a); and
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b))

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 Transportation (the Department) enters into subrecipient agreements primarily with local municipalities to provide funding to assist the municipality with allowable local transportation projects (such as road paving, culverts, etc). During our testwork over subrecipient monitoring, we noted the following:

A. The Department did not communicate all the required elements as required by CFR 200.331(a) to each of the 9 subrecipients selected for testwork. Specifically, the following elements were not communicated:

   a. Federal Award Identification Number (FAIN)
   b. Federal Award Date of award to the recipient by the Federal Agency
   c. Subaward period of performance start and end date
   d. CFDA number and name
   e. Identification of whether the award is R&D
   f. Indirect cost rate for the federal award

B. The Department does not have any formal policies, procedures and related internal controls over evaluating a subrecipient's risk of non-compliance with federal requirements. Further, we noted

that the Department did not perform any evaluations over the 9 subrecipients selected for testwork.

Cause

The cause of the condition found is that the Department began utilizing a risk assessment questionnaire on July 1, 2020 for all subrecipients in which a municipal agreement is entered into. The implementation of the new policy and procedure was subsequent to the period under audit. In addition, the Department does not have policies and procedures in place to ensure that all required information as outlined in 2 CFR section 200.331(a) is communicated to the subrecipient.

Effect

The effect of the condition found is that the Department did not comply with the 2 CFR sections 200.331(a) and 200.331(b).

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department continues to review its existing policies, procedures and internal controls to ensure that the Department complies with the provisions of 2 CFR section 200.331(a) and 2 CFR section 200.331(b). This would include ensuring that:

1. All required award information is communicated to subrecipients; and
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient.

View of Responsible Officials

1. The Department did modify its documentation to incorporate the needed items when identified in a previous audit. The Department assigns both a unique state project number and federal project number as identification for each project and includes both in the Municipal Agreement. Commencement and completion time frames are listed in the Municipal Agreement with specific dates triggered by the first notice to proceed. The CFDA number and name is included in each reimbursement request letter the sub-recipient receives. Our projects are not R&D but would be identified as such in the Municipal Agreement. Neither Municipalities nor the Department charge an indirect cost on Municipal projects. However, the Department will review the grant agreement to ensure that all required information is included although not utilized.
2. The Department has added the risk assessment questionnaire as of July 1, 2020.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Anticipated Completion Date

1. July 1, 2018. Review to be completed by December 2021.
2. July 1, 2020

Contact Person

Bill Watson, Administrator, Bureau of Planning and Community Assistance

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-008

N.H. Department of Environmental Services

Clean Water State Revolving Fund Cluster: (CFDA 66.458)

Federal Award Numbers: CS33000119

Federal Award Year: 2019

U.S. Environmental Protection Agency

Compliance Requirement: Period of Performance

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

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 passthrough entity made the federal award that were authorized by the federal awarding agency or pass-through entity (2 CFR section 200.309).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 testwork over period of performance, we noted the New Hampshire Department of Environmental Services (the Department) appeared to have charged expenditures to the federal fiscal year 2019 award that had a service period prior to the start date of the award period of October 1, 2019. The Department did not appear to verify whether these expenses had been incurred within the period of performance before including the expenses within the Department's request for federal reimbursement.

Cause

The cause of the condition found is that the Department indicated that while the service period was incurred prior to the start of the federal award period, the Department did not pay for the services until after the federal award period began. As the Department reports based upon cash basis expenditures, the Department believed that the costs would be allowable.

Effect

The effect of the condition found is that costs incurred prior to the start of the federal award period were inappropriately charged to the federal grant resulting in unallowable costs being incurred.

Questioned Costs

Not determinable.

Recommendation

We recommend the Department develop and implement policies, procedures and internal controls to ensure all expenses charged to a federal award are incurred within the period of performance of the grant award prior to requesting federal reimbursement. This would include ensuring that the service period associated with the cost also relates to a service period within the awards period of performance.

View of Responsible Officials

The Department does not concur with this finding. When DES was presented this finding, the department reached out to its federal Cognizant Agency (EPA) for guidance on this issue. Their response was:

"EPA does not feel this is a valid finding based on the nature of the CWSRF. The Clean Water Act (CWA) provides an "allowance" of up to four percent of the cumulative awards. As long as the administrative expense charged does not bring the total cumulative admin costs in excess of 4 percent of the cumulative awards, the expense is eligible. The statute doesn't limit the CWSRF admin expenses to the timing of project/budget period of the individual annual grants – just the reverse, it makes it clear that it is cumulative. In our reviews, this transaction would not have been an improper payment. We find this is an eligible expense and can be reimbursed from the 2019 Cap Grant."

DES will continue to work with both the auditors and EPA to ensure that all parties come to a mutual understanding of the rules and regulations.

Anticipated Completion Date

N/A

Contact Person

Susan Carlson, Chief Operations Officer

Rejoinder

Title 30, section 35.3120(g)(1) states the money in the SRF may be used for the reasonable costs of administering the SRF, provided that the amount does not exceed 4% of all grant awards receive by the SRF. Expenses of the SRF in excess of the amount permitted under this section must be paid for from sources outside the SRF.

The condition found however does not question whether federal funds can be used to support administrative costs. The condition found identified that administrative costs were charged and drawn under the federal fiscal year 2019 grant that were incurred or paid for by the State of New Hampshire prior to the start of the performance period for this grant which was October 1, 2019. As the costs were incurred prior to when the federal funds became available for use, the costs do not appear to be allowable under the federal fiscal year 2019 grant.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-009

NH Department of Education

Title I Grants to Local Educational Agencies (Title I, Part A of ESEA (84.010)

Federal Award Numbers: S010A180029, S010A190029

Federal Award Year: 2019, 2020

U.S. Department of Education

Compliance Requirement: Special Tests and Provisions – Annual Report Card, High School Graduation Rates

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2019-008

Statistically Valid Sample: No

Criteria

A State Educational Agency (SEA) and its Local Educational Agencies (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 and, at an SEA's or LEA's discretion, extended-year adjusted cohort rates. Graduation rate data must be reported both in the aggregate and disaggregated by subgroup in section 1111(c)(2) of the ESEA using a 4-year adjusted cohort graduation rate (and any extended-year adjusted cohort rates). (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(25), (23)). Except as noted below, only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating graduation rates. The term "regular high school diploma means the standard high school diploma that is awarded to the preponderance students in the State and that is fully aligned with the State standards (but not to alternate academic achievement standards for students with the most significant cognitive disabilities) or a higher diploma. A regular high school diploma does not include a recognized equivalent of a diploma, such as a general equivalency diploma, certificate of completion, certificate of attendance, or similar lesser credential (ESEA section 8101(43). A SEA may, but is not required to, award a State-defined alternate diploma for students with the most significant cognitive disabilities who take an alternate assessment aligned with alternate academic achievement standards. That the diploma must be standards based, aligned with the State's requirements for a regular high school diploma, and obtained within the time period for which the State ensure the availability of a free appropriate public education. If a SEA awards an alternate diploma, the SEA may count those students in its four-year and any extended-year adjusted cohort graduation rate, even if the student takes more than four years to receive the alternate diploma.

To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, 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 the graduation rate and must remain in the adjusted cohort (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(25), (23)).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the programmatic on-site monitoring process implemented by the New Hampshire Department of Education (the Department) over LEA's, the Department was to review and ensure that there were policies and procedures in place at the LEA related to the removal of students from the cohort. During our testwork over the Department's programmatic on-site monitoring reviews, we noted that no programmatic on-site monitoring reviews were conducted during the year ended June 30, 2020 and as a result, the requirements related to the removal of students from the cohort were not monitored.

Cause

The cause of the condition found is due to the fact that the Department had scheduled its on-site monitoring visits to be performed in the spring of 2020. Due to the COVID-19 pandemic, no programmatic monitoring procedures were performed.

Effect

The effect of the condition found is that the Department did not sufficiently monitor the LEA's compliance related to the removal of students from the cohort to ensure that graduation rates are accurately reported to the Department.

Questioned Costs

None.

Recommendation

We recommend that the Department continue to review its existing policies and procedures over the monitoring of the accuracy of the cohort at the LEA and related accuracy of graduation rates to ensure that specific monitoring procedures are developed and implemented to appropriately monitor the federal requirement at the LEA.

View of Responsible Officials

The NHDOE concurs with this finding, but believes no further action is required as explained below.

The NHDOE planned to conduct subrecipient monitoring and programmatic risk assessment of LEAs for the 19-20 grant year in the spring of 2020, but was forced to postpone due to the COVID-19 pandemic and declaration of national emergency. The 19-20 funds and spending were monitored as soon as possible, with 20 LEAs monitored and assessed for compliance with programmatic requirements in the fall and winter 2020-2021 when schools began to reopen.

This postponement was necessary for health and safety and in practicality, but also enabled NHDOE to pilot desktop review and provide necessary technical assistance to LEAs related to monitoring as well as novel issues in serving educationally disadvantaged students resulting from school closures and remote instruction.

Looking forward, the NHDOE will commence the subrecipient monitoring and programmatic risk assessment of 20-21 grants in the spring of 2021 as is regularly planned, including monitoring for LEA compliance related to the removal of students from the cohort.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Anticipated Completion Date

No further action required.

Contact Person

Lindsey Labonville

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-010

NH Department of Education

Title I Grants to Local Educational Agencies (Title I, Part A of ESEA (84.010)

Federal Award Numbers: S010A180029, S010A190029

Federal Award Year: 2019, 2020

U.S. Department of Education

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b))
2. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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. This includes reviewing to ensure Local Education Authorities (LEAs) compliance with Part A supplement not supplant provisions.

Condition

The New Hampshire Department of Education (the Department) has a formal on-site programmatic monitoring policy that includes both a risk assessment process and procedures to monitor compliance at the LEA level in order to ensure that the LEA as complied with federal requirements concerning the use of Title 1 funds. This includes reviewing the LEA's supplement not supplant methodology. During our testwork over subrecipient monitoring, we noted that the Department did not perform any programmatic risk assessments or monitoring during the year ended June 30, 2020. As a result, the Department did not perform any procedures to ensure LEA compliance with programmatic requirements, including supplement not supplant.

Cause

The cause of the condition found was due to the fact that the Department had scheduled its on-site monitoring visits to be performed in the spring of 2020. Due to the COVID-19 pandemic, no programmatic risk assessments or monitoring procedures were performed.

Effect

The effect of the condition found is that the Department did not sufficiently monitor the LEA's compliance with federal regulations applicable to Title 1 in accordance with 2 CFR section 300.331(b) and 2 CFR sections 200.331(d) through (f). This would include monitoring procedures surrounding the LEA's process related to supplement not supplant.

Questioned Costs

None.

Recommendation

We recommend that the Department continue to review its existing policies and procedures over the monitoring of subrecipients in order to ensure that appropriate procedures to comply with 2 CFR section 300.331(b) and 2 CFR sections 200.331(d) through (f) are consistently performed on an annual basis.

View of Responsible Officials

The NHDOE concurs with this finding, but believes no further action is required as explained below.

The NHDOE planned to conduct subrecipient monitoring and programmatic risk assessment of LEAs for the 19-20 grant year in the spring of 2020, but was forced to postpone due to the COVID-19 pandemic and declaration of national emergency. The 19-20 funds and spending were monitored as soon as possible, with 20 LEAs monitored and assessed for compliance with programmatic requirements in the fall and winter 2020-2021 when schools began to reopen.

This postponement was necessary for health and safety and in practicality, but also enabled NHDOE to pilot desktop review and provide necessary technical assistance to LEAs related to monitoring as well as novel issues in serving educationally disadvantaged students resulting from school closures and remote instruction.

Looking forward, the NHDOE will commence the subrecipient monitoring and programmatic risk assessment of 20-21 grants in the spring of 2021 as is regularly planned, including supplement not supplant requirements.

Anticipated Completion Date

No further action required.

Contact Person

Lindsey Labonville

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-011

NH Department of Education

Title I Grants to Local Educational Agencies (Title I, Part A of ESEA (84.010)

Federal Award Numbers: S010A180029, S010A190029

Federal Award Year: 2019, 2020

U.S. Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

An LEA may receive funds 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 expenditure 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 (Section 8521 of ESA(20 USC) 7901); 34 CFR section 299.5)

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

During our testwork over the annual maintenance of effort (MOE) calculation performed by the New Hampshire Department of Education (the Department), we noted that 1 of 25 LEAs selected for testwork did not meet the annual MOE calculation. While the LEA did not meet the required MOE requirement, the Department did not issue a waiver or reduce the LEA's annual allocation as required under federal regulations.

Cause

The cause of the condition found was primarily due to a lack of controls and procedures to ensure that appropriate follow up action is taken when a LEA does not meet the required MOE requirement.

Effect

The effect of the condition found is that the Department did not properly reduce the LEA's annual allocation, due to its failure to meet the annual MOE requirement, and received a grant amount larger than it should have.

Questioned Costs

Not determinable.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Recommendation

We recommend that the Department develop written policies and procedures to ensure there are appropriate controls in place that identify when a LEA fails to meet the required MOE and that appropriate action is taken to reduce the LEA's annual allotment of funds.

View of Responsible Officials

The NHDOE concurs with this finding.

NHDOE calculated but failed to apply for a waiver or proportionally reduce a LEA's grant award based on failure to meet MOE requirements. To ensure resiliency and proper implementation of NHDOE's written policies and procedures around responding to potential LEA failures to meet MOE, the NHDOE has reviewed and provided professional development to employees supporting its administration of Title I, Part A.

Additionally, NHDOE's MOE procedure *is being* updated to include a description of the above-mentioned employee training as well as the implementation of a process monitoring function by the NHDOE's Bureau of Federal Compliance (BFC) to monitor the completion of the MOE process throughout the year. Implementation of this additional internal control will address any remaining risk of improper administration of the MOE process moving forward.

Anticipated Completion Date

April 2, 2021

Contact Person

Lindsey Labonville

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-012

NH Department of Human Services

Temporary Assistance for Needy Families (93.558)

Federal Award Numbers: 2019G996115, 2020G996115

Federal Award Year: 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions: Child Support Non-Cooperation

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2019-015

Statistically Valid Sample: No

Criteria

If the State agency responsible for administering the State plan 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% from the TANF assistance that would otherwise be provided to the family of the individual and (20 may deny the family any TANF assistance. Health and Human Services (HHS) may penalize a State for up to 5% of the SFAG for failure to substantially comply with this required State child support program (45 CFR sections 264.30 and 264.31)

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

During our testwork related to child support non-cooperation, we noted the following:

A. For 2 of 40 participants selected for testwork, while the participant had been correctly sanctioned due to non-cooperation, the sanction was not applied timely, resulting in a delay in applying the sanction against the participants benefit payment.

B. For 1 of 40 participants selected for testwork, while the participant had been correctly sanctioned due to non-cooperation, the sanction was lifted earlier than it should have been resulting in the participant's benefit payment being larger than it should have.

C. For 4 of 40 participants selected for testwork, while the participant should have been sanctioned due to non-cooperation, the sanction was never applied to the participant's benefit payment, resulting in the participant being overpaid.

D. For 7 of 40 participants selected for testwork, the participant was incorrectly sanctioned for non-cooperation and their benefits should not have been reduced.

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the beginning and termination of sanction periods related to child support non-cooperation and ensuring that the New Heights system is updated timely to reflect the correct sanction dates. In addition, there appears to be inadequate controls in place to ensure that the sanction imposed is valid.

Effect

The effect of the condition found is that participant benefit payments may not be accurately paid and could result in unallowable costs charged to the federal program.

Questioned Costs

Not determinable.

Recommendation

We recommend that the New Hampshire Department of Health and Human Services (the Department) enhance its existing controls and procedures to ensure the documentation used to support the beginning and termination of sanction periods is maintained and that those dates are accurately reflected within the New Heights system. In addition, controls and procedures should be implemented so that sanctions are properly reviewed and approved prior to implementation to ensure that the sanction being imposed is valid.

View of Responsible Officials

While that the Department concurs with most of the errors included in the findings, we do not concur with all of them. See below for details.

A. We concur that the sanction for non-cooperation was not applied timely.

B. We concur that the sanction for non-cooperation was lifted earlier than it should have been.

C. We concur, the participant should have been sanctioned due to non-cooperation, resulting in the participant being overpaid.

D. We concur with this finding. However, we wanted to note that while the clients in these cases were properly reported as non-cooperation by BCSS, the action taken by the BFA worker was done incorrectly. The Policy change in 2018 SR-18-29 for FAP cases allows us to close these cases for failing to cooperate and exploring other benefits the household is entitled to when the parent or relative was not included in the assistance group.

Although the errors for Conditions A – D are valid, the cases were pulled before the 2019 KPMG audit was completed and the department's corrective action plan was in place. The pulls during this period of time do not provide a true reflection of the progress made since implementing the department's corrective action plan which was put in place June 2020 in response to the 2019 KPMG audit findings. We believe the corrective action plan may have prevented some of the errors.

The previous corrective action plan included:

- coaching discussions between the supervisors and workers directly associated with each of the findings,

- a state wide staff meeting where all of the findings from the 2019 KPMG audit (which include the same findings of the Conditions stated above) were reviewed, and
- The New Hire training presentation regarding how to properly sanction a case for non-cooperation was updated.

In addition:

- The Bureau of Family Assistance (BFA) has partnered with the Bureau of Child Support Services (BCSS) for quarterly meetings. To date, these meetings have resulted in a uniform Non Cooperation/Cooperation process to address concerns of the 608 forms being properly placed in the clients file as well as a clear process for all staff to follow to ensure proper action on cases occurs timely.
- BFA is currently working with the BCSS DoIT department to create a report that will be utilized to do quarterly quality assurance reviews on cases that are listed with BCSS as being under sanction.
- Quarterly quality assurance reviews will be performed to ensure:
  - non-cooperation/cooperation protocols put in place in June 2020 are being followed and applied correctly
  - non-cooperation/cooperation protocols are being executed timely.
- The above action plans for Condition A, B, and C, will also apply for Condition D. However, in addition to this, BFA will also be creating a refresher training. The training will include the proper way to act on a non-cooperation request from BCSS based on the FANF Cash program that is open, how to fill out HEIGHTS screens appropriately, and how to utilize NECSES (BCSS computer system) to verify whether BCSS has a sanction on the parent/relative for the case they are working on.
  - BFA anticipates having this training developed by September 30, 2021 and take place during the fall.

Anticipated Completion Date

January 2022

Contact Person

Karyl Provost, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-013

NH Department of Human Services

Temporary Assistance for Needy Families (93.558)

Federal Award Numbers: 2019G996115, 2020G996115

Federal Award Year: 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions

Lack of Child Care for Single Custodial Parent of Child under Age Six

Child Support Non-Cooperation

Penalty for Refusal to Work

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2019-016

Statistically Valid Sample: No

Criteria

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).

If the State agency responsible for administering the State plan 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% from the TANF assistance that would otherwise be provided to the family of the individual and (20 may deny the family any TANF assistance. Health and Human Services (HHS) may penalize a State for up to 5% of the SFAG for failure to substantially comply with this required State child support program (45 CFR sections 264.30 and 264.31)

State agency must reduce or terminate the assistance payable to the family if an individual in a family receiving assistance refuses to work, subject to any good cause or other exemptions established by the state. HHS may penalize the state by an amount not less than 1 percent and not more than 5 percent of the SFAG for violation of this provision (42 USC 609(a)(14); 45 CFR sections 261.14, 261.16, and 261.54).

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

During our testwork related to sanctions imposed against single custodial parents caring for a child under the age of 6, we noted the following:

A. For 1 of 40 participants selected for testwork, the participant had been sanctioned for reasons other than the inability to find childcare (child support non-cooperation). Per review of the documentation within the file there was insufficient evidence to support that the sanction for child support non-cooperation was appropriate. As a result, the participant did not appear to be properly sanctioned causing the participant to be underpaid.

B. For 3 of 40 participants selected for testwork, the participants had been sanctioned for reasons other than the inability to find childcare (child support non-cooperation). Participants appeared to have been incorrectly sanctioned for child support non-cooperation and their benefits should not have been reduced.

C. For 1 of 40 participants selected for testwork, the participant was appropriately sanctioned for reasons other than the inability to find childcare (failure to comply with work related requirements). However, the sanction was not applied timely to the participant's benefits, resulting in a potential overpayment to the participant.

   In addition, the participant was also sanctioned for non-cooperation with child support however there was no documentation in the file to support that the participant was non-compliant with the child support requirements. As such, we are unable to determine if the participant was appropriately sanctioned.

D. For 1 of 40 participants selected for testwork, the participant was sanctioned for reasons other than the inability to find childcare (child support non-cooperation). Per review of the file documentation, it appeared that the during the audit period, the sanction imposed on the participant was lifted due to an error and the participant's sanction should have remained in effect, resulting in a potential overpayment to the participant.

E. For 1 of 40 participants selected for testwork, there was insufficient documentation maintained in the file to support why the participant was sanctioned. As a result, we are unable to determine if the sanction was appropriate and the benefit amount paid was accurate.

F. For 1 of 40 participants selected for testwork the, the participant had been sanctioned for reasons other than the inability to find childcare (child support non-cooperation and failure to comply with work requirements). Based on the documentation in the file, the participant was not eligible for benefit payments and should not have received any benefit payments.

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the beginning and termination of sanction periods, that the cause of the sanction is appropriate and ensuring that the New Heights system is updated timely to reflect the correct sanction dates.

Effect

The effect of the condition found is that participant benefit payments may not be accurately paid and could result in unallowable costs charged to the federal program.

Questioned Costs

Not determinable.

Recommendation

We recommend that the New Hampshire Department of Health and Human Services (the Department) enhance its existing controls and procedures to ensure the documentation used to support the beginning and termination of sanction periods is maintained and that those dates are accurately reflected within the New Heights system. In addition, controls and procedures should be implemented to ensure that sanctions are properly reviewed and approved prior to implementation to so that that the sanction being imposed is valid.

View of Responsible Officials

While that the Department concurs with most of the errors included in the findings, we do not concur with all of them. See below for details.

A. We concur, the participant did not appear to be properly sanctioned causing an underpayment.

B. We concur, the participants were improperly sanctioned for child support non-cooperation even though they were IDP.

C. We concur, the participant should have been sanctioned for failure to comply with work related requirements.

D. We concur, the sanction imposed on the participant was lifted due to an error and the participant's sanction should have remained in effect.

E. We concur, there was insufficient documentation why the participant was sanctioned.

F. We concur, the participant was not eligible for benefits payments and should not have received any benefit payments.

Due to the timing of when the fiscal year 2019 audit was finished, the Department did not have sufficient time to implement its corrective action plan due to the fact that fiscal year 2020 was approximately 2/3 completed before the corrective action had been implemented. We believe the corrective action plan may have prevented some of the errors identified during the fiscal year 2020 audit.

The previous corrective action plan included:

- coaching discussions between the supervisors and workers directly associated with each of the findings,
- a state wide staff meeting where all of the findings from the 2019 KPMG audit (which include the same findings of the 2020-001 Conditions stated above) were reviewed, and
- the New Hire training presentation regarding how to properly sanction a case for non-cooperation was updated.

In addition:

- The Bureau of Family Assistance (BFA) has partnered with the Bureau of Child Support Services (BCSS) for quarterly meetings. To date, these meetings have resulted in a uniform Non Cooperation/Cooperation process to address concerns of the 608 forms being properly placed in the clients file as well as a clear process for all staff to follow to ensure proper action on cases occurs timely.
- BFA is currently working with the BCSS DoIT department to create a report that will be utilized to do quarterly quality assurance reviews on cases that are listed with BCSS as being under sanction.
- Quarterly quality assurance reviews will be performed to ensure:
  - non-cooperation/cooperation protocols put in place in June 2020 are being followed,
  - non-cooperation/cooperation protocols are being executed timely, and
- BFA will also be creating a refresher training. The training will include the proper way to act on a non-cooperation request from BCSS based on the FANF Cash program that is open, how to fill out HEIGHTS screens appropriately, and how to utilize NECSES (BCSS computer system) to verify whether BCSS has a sanction on the parent/relative for the case they are working on.
- BFA anticipates having this training developed by September 30, 2021 and take place during the fall.

Anticipated Completion Date:

January 2022

Contact Person:

Karyl Provost, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-014

NH Department of Human Services

Temporary Assistance for Needy Families (93.558)

Federal Award Numbers: 2019G996115, 2020G996115

Federal Award Year: 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Reporting

Special Tests and Provisions: Penalty for Failure to Comply with Work Verification Plan

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2019-017

Statistically Valid Sample: No

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 so doing, 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).

ACF-199, *TANF Data Report (OMB No. 0970-0338)* and ACF-343, *Tribal TANF Data Report (OMB No. 0970-0215)* (65 FR 8545, Appendix A, February 18, 2000) - State agencies must meet or exceed their minimum annual work participation rates. The minimum work participation rates are 50 percent for the overall rate and 90 percent for the two-parent rate. A state's minimum work participation rate may be reduced by its caseload reduction credit. HHS may penalize the state by an amount of up to 21 percent of the SFAG for violation of this provision (42 USC 609(a)(4); 45 CFR section 262.1(a)(4)).

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

During our testwork related to compliance with the New Hampshire Department of Human Services (the Department) work verification plan we noted the following:

A. For 1 of 40 participants selected for testwork, the documentation used to support the hours worked for the participant did not agree to the New Heights system and as a result, the hours for the participant were under reported.

B. For 1 of 40 participants selected for testwork, the participant did not have an active employment plan for the period selected for testwork. In addition, the hours reported worked for the participant were based on outdated employment information and did not represent the actual hours worked by the participant. As a result, we were unable to verify if the participant complied with their work verification plan or if the hours reported worked were accurate.

C. For 1 of 40 participants selected for testwork, there was insufficient documentation to support the number of hours worked within the New Heights system for the participant.

D. For 1 of 40 participants selected for testwork, the participant was enrolled in multiple activities which were supported with work logs of hours worked. However, per review of the New Heights system, only part of the participant's hours were reported.

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the number of work hours reported by participants and that the hours worked are accurately reported within the New Heights system. The inaccurate reporting also impacted the accuracy of the data submitted within the *ACF-199 TANF Data Report.*

Effect

The effect of the condition found is that the State may not be in compliance with its work verification plan and would not be able to identify the noncompliance and related reporting errors within the *ACF-199 TANF Data report* timely.

Questioned Costs

None.

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the documentation used to support participant work hours is maintained, that the hours reported agree to the documented hours worked and that the work hours are accurately reflected within the New Heights system so that they are ultimately accurately reported on the *ACF-199 TANF Data Report*.

View of Responsible Officials

While that the Department concurs with most of the errors included in the findings, we do not concur with all of them. See below for details.

A. We concur. There were unreported hours in a job readiness activity when the verification was entered into the New Heights verification screen.

B. We concur. The Department agrees that there is not a current Employment plan for the period of April 2020. While an Employment Plan was mailed to the participant, it was not returned to the Department. The Department also agrees that the hours reported worked for the participant was based on outdated employment information and did not represent the actual hours worked by the participant.

C. We concur. The Department agrees that one of the participants had insufficient documentation to support the number of hours worked.

D. We concur with this error. The Department agrees that the number of participant's hours reported were not correct.

   To address these issues, an audit training power point presentation was created for an all staff training event which was held on March 19, 2021.

Anticipated Completion Date

March 19, 2021

Contact Person

Kim Runion, Bureau Chief of Employment Services

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-015

NH Department of Human Services

Temporary Assistance for Needy Families (93.558)

Federal Award Numbers: 2019G996115, 2020G996115

Federal Award Year: 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions: Penalty for Refusal to Work

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

State agency must reduce or terminate the assistance payable to the family if an individual in a family receiving assistance refuses to work, subject to any good cause or other exemptions established by the state. HHS may penalize the state by an amount not less than 1 percent and not more than 5 percent of the SFAG for violation of this provision (42 USC 609(a)(14); 45 CFR sections 261.14, 261.16, and 261.54).

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

During our testwork over compliance with requirements related to penalties for refusal to work, we noted that for 1 of 40 participants selected for testwork, the participant was not required to be working as the participant was enrolled in work activity programs. The participant was required to report a minimum number of hours to satisfy their work activity program requirement. During our review of the participant file, we noted that the number of hours reported by the participant did not agree with the hours reported within the New Heights system that is used to track the participant's participation to satisfy the required work activities.

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure that the hours reported by the participant is properly reconciled to the New Heights system to ensure the data entered is accurate.

Effect

The effect of the condition found is that the participant may not meet their work activity program requirements and the New Hampshire Department of Health and Human Services (the Department) may not be able to identify the matter timely.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Questioned Costs

None.

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the documentation used to support participant work activities is maintained and that the hours reported agree to the documented hours worked and are accurately reflected within the New Heights system.

View of Responsible Officials

We concur with the finding. The error was attributed to new Employment Counselor who is no longer with the Department. We analyzed all of the errors included in the findings. We discovered most of them are attributed to new staff. Because of this, we are enhancing the entire training program for new staff. We have a new Training Coordinator (the position has been vacant) and created a new position called a Quality Assurance specialist. We hope this position will provide additional guidance and training to new staff, review monitoring reports and work with the staff to teach, review errors and retrain.

We created an Audit Training Power point for an all staff training held on March 19, 2021.

Anticipated Completion Date

January 2022

Contact Person

Kim Runion, Bureau Chief of Employment Services

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-016

NH Department of Human Services

Temporary Assistance for Needy Families (93.558)

Federal Award Numbers: 2019G996115, 2020G996115

Federal Award Year: 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Matching, Level of Effort and Earmarking – Maintenance of Effort

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Every fiscal year, a State must maintain an amount of "qualified state expenditures" (as defined in 42 US609(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 end September 30, 2019, the New Hampshire Department of Health and Human Services (the Department) is required to meet an annual maintenance of effort (MOE) requirement of $32,115,003. In total, the Department incurred $38,813,585 in eligible MOE expenditures, which exceeded the amount required. Of the MOE expenditures incurred, $11,627,710 represented in-kind contributions from 15 community organizations. On an annual basis, each community organization completes a TANF MOE form to report expenses that qualify as TANF expenditures. The form requires a description of the program operations, 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 Department 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 Department 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 in turn to ensure the in-kind contribution used to support the required MOE is appropriate.

Cause

The cause of the condition found was a result of insufficient controls and procedures to ensure the expenditures reported by the community organization are properly supported by valid expenditures that meet the criteria of qualified TANF expenditures. As the Department enters into a memorandum of understanding (MOU) with each community organization that outlines the types of costs that are allowable sources of MOE and obtains a signed certification from each organization as to the amount of expenditures incurred, the Department indicated that the support provided is sufficient and therefore does not validate the information for accuracy.

Effect

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

Questioned Costs

Not determinable.

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

We do not concur. The expenditures outlined are considered verifiable costs via the Memorandum of Understanding (MOU) and the Maintenance of Effort (MOE) forms completed by the third party agency.

As part of the June 30, 2018 audit a similar finding is noted which we also did not concur with as part of that audit. As of May 2021, the Federal Administration for Children and Families (ACF) has not rendered a decision yet concerning this finding and as such, we do not believe any corrective action is required.

Anticipated Completion Date

No corrective action is considered necessary

Rejoinder

The Department stated in their response that it verifies the completeness and accuracy of the third-party in-kind match through the MOU entered into and the MOE forms that the providers submit. Per review of the signed certifications (or the MOE forms), 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 third -party records.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-017

NH Department of Human Services

Foster Care – Title IV-E (93.658)

Federal Award Numbers: 2001NHFOST

Federal Award Year: 2020

U.S. Department of Health and Human Services

Compliance Requirement: Eligibility

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Funds may be expended for foster care maintenance payments on behalf of eligible children, in accordance with the Title IV- E agency's foster care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child- care institutions, or to public or private child-placement or child-care agencies. Such payments may include the cost of (and the cost of providing, including certain associated administrative and operating costs of a child care institution) food, clothing, shelter, daily supervision,school supplies, personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation, as well as reasonable travel for the child to remain in the same school he or she was attending prior to placement in foster care (42 USC 672(b)(1) and (2), (c)(2), and 675(4)).

A judicial determination regarding reasonable efforts to finalize the permanency plan must be made within twelve months of the date on which the child is considered to have entered foster care and at least once every twelve months thereafter while the child is in foster care. The judicial determination must be explicitly documented and made on a case by case basis. If a judicial determination regarding reasonable efforts to finalize a permanency plan is not made within this timeframe, the child is ineligible at the end of the twelfth month from the date the child was considered to have entered foster care or at the end of the month in which the subsequent judicial determination of reasonable efforts was due, and the child remains ineligible until such a judicial determination is made (45 CFR section 1356.21(b)(2)).

For a child who enters foster care on or after March 27, 2000, the judicial determination of reasonable efforts to finalize the permanency plan must be made no later than twelve months from the date the child is considered to have entered foster care (45 CFR section 1356.21(b)(2). Acceptable documentation is a court order containing a judicial determination regarding reasonable efforts to finalize a permanency plan or a transcript of the court proceedings reflecting this determination (45 CFR section 1356.21(d)).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 out testwork over the eligibility process for the Foster Care program, we noted the following:

A. The New Hampshire Department for Health and Human Service (the Department) was unable to locate the eligibility file for 1 of 40 participants selected for testwork. As a result, we were unable to determine if the child was eligible for Foster Care IV-E services.

B. For 1 of 40 participants selected for testwork, there was no documentation to support that a judicial determination of reasonable efforts to finalize the permanency plan was obtained once at least every twelve months. As a result, it was unclear if the child remained eligible to receive Foster Care IV-E services.

C. For 1 of 40 participants selected for testwork, we noted that that a judicial determination of reasonable efforts to finalize the permanency plan was not obtained for the 12-month period ending May 2019 and therefore the participant was no longer eligible to receive Foster Care IV-E services. The Department continued to charge Foster Care IV-E for the participants future subsidy payments. In April 2020, the Department discovered the error and refunded the Foster Care IV-E funds received for this participant back to the federal government. While the error was identified by the Department, it was identified almost a year after the child became ineligible. As a result, it does not appear that the Department has sufficient controls in place to timely identify lapses in eligibility for continuing Foster Care IV-E cases.

Cause

The cause of the condition found was primarily due to insufficient controls to ensure that the required judicial determination of reasonable efforts to finalize a permanency plan is obtained within the appropriate time period allowed and that all appropriate documentation is maintained for each participant documenting that they are eligible to receive Foster Care IV-E services.

Effect

The effect of the condition found is that the Department may have charged subsidy payments to the Foster Care program that were not eligible for federal reimbursement.

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department review its existing policies and procedures surrounding obtaining a judicial determination of reasonable efforts to finalize a permanency plan to ensure that it is obtained timely and in compliance with the required time period allowed under federal regulations. Additionally, the Department should review its existing policies and procedures to ensure a complete and accurate eligibility file is maintained for each participant.

View of Responsible Officials

A. The Department concurs with the finding under Condition A. Closed eligibility case files are returned to the district office to be archived by the district office. (This was temporarily halted due to COVID protocols.) We have not found record of this file being returned to the district office.

The Department is currently compiling all of the closed foster care case files and returning those files their respective district offices. As we move to electronic records, there will be less risk of not having the necessary documentation to support a child's eligibility. All new documentation required for children's eligibility case files is being stored electronically. Existing files are a combination of a paper eligibility files and electronic records. Closed paper eligibility case files that have been returned to their respective district office, will be tracked with the date it was returned.

B. The Department concurs with the finding under Condition B. The Department did not have documentation to support that a judicial determination of reasonable efforts to finalize the permanency plan was obtained within 12 months of the previous permanency plan. The Department will ensure adherences to their "REP Process Memo" to prevent occurrences like this in the future.

C. There are processes in place to track the receipt of judicial determination of reasonable efforts to finalize the permanency plans. Monthly reports are generated from NH Bridges that compile clients that are missing or are in need of an updated reasonable efforts to finalize the permanency plan."

Anticipated Completion Date

May 31, 2021

Contact Person

Elizabeth Lafontaine, DCYF Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-018

NH Department of Human Services

Foster Care – Title IV-E (93.658)

Federal Award Numbers: 2001NHFOST

Federal Award Year: 2020

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions – Payment Rate Setting and Application

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Title IV-E agencies establish payment rates for maintenance payments (e.g., payments to foster parents, childcare institutions or directly to youth).Payment rates may also be established for Title IV-E administrative expenditures (e.g., payments to child placement agencies or other contractors, which may be either subrecipients or vendors) and for other services. Payment rates must provide for proper allocation of costs between foster care maintenance payments, administrative expenditures, and other services in conformance with the cost principles. The Title IV-E agency's plan approved by ACF must provide for periodic review of payment rates for foster care maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program (42 USC 671(a)(11); 45 CFR section 1356.21(m)(1); 45 CFR section 1356.60(a)(1) and (c)).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 testwork over the payment rate setting and application process, the Department for Health and Human Services (the Department) did not appear to have a periodic schedule to review and determine the continued appropriateness of amounts paid as foster care maintenance rates. It did not appear that foster care maintenance rates had been reviewed since 2017.

Cause

The cause of the condition found was primarily due to insufficient controls and lack of written documentation to support the process for reviewing foster care maintenance rates and a lack of a documented schedule for when the maintenance rates would be reviewed.

Effect

The effect of the condition found is that the Department's maintenance rates that are utilized for the Foster Care program may not be appropriate.

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department develop policies, procedures and relevant internal controls to ensure that foster care maintenance rates are periodically reviewed to determine their continued appropriateness. The policy should also outline the frequency of when maintenance rates will be reviewed.

View of Responsible Officials

The Department concurs. Previously, rate setting was the responsibility of individual divisions before moving to a centralized function. Due to that transition, new procedures need to be created and implemented to ensure rates are reviewed regularly based on state and federal requirements.

Procedures have been drafted by the Department's Rate Setting Unit which is responsible for initiating the review of rates. The rate review process is to begin in the first quarter of each calendar year.

Foster Care and Residential Treatment Facility rate review responsibilities are a combined effort with the Rate Setting Unit, DCYF Finance, and the Division's Certification teams.

Anticipated Completion Date

October 31, 2021

Contact Person

Christy Roy, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-019

NH Department of Human Services

Social Services Block Grant (93.667)

Federal Award Numbers: 2017G992342, 2018G992342, 2019G992342

Federal Award Year: 2017, 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2019-019

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Social Services Block Grant program, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with local entities to provide a variety of services, including meals, adult day services and comprehensive family services. On a periodic basis, the subrecipient submits a request for reimbursement for the services that are rendered that is reviewed and approved by the Department prior to payment. As part of our testwork over the subrecipient monitoring process, we noted the following for the year ended June 30, 2020:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for all 10 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically, the following elements were not communicated:

a. Federal Award Identification Number (FAIN);

b. Federal award date;

c. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414); and

d. Identification of whether the award is R&D.

B. The Department did not perform a risk assessment for each of the 10 subrecipients selected for testwork. As a result, it was unclear as to what type of during the award monitoring was required to be performed over the 10 subrecipients selected for testwork.

C. The Department's during the award monitoring is primarily composed of the Department's review over requests for reimbursement submitted by the subrecipient. The Department reviews the invoices prior to payment indicating that the invoice appears reasonable and allowable under federal regulations. For each of the 10 subrecipients selected for testwork, the Department was unable to provide documentation to support that it had performed additional monitoring procedures over the subrecipients to address whether or not the subrecipient had sufficient documentation to support that the costs requested for reimbursement were allowable or whether the subrecipient had determined participant eligibility accurately if eligibility requirements were applicable. As the Department does not have a formal subrecipient monitoring policy that outlines the types and frequency of monitoring activities to be performed and there was no risk assessment performed for these subrecipients, it was unclear whether the exclusion of these types of monitoring activities was appropriate.

Cause

The cause of the condition found was primarily due to the following:

- The Department is in the process of modifying its subrecipient grant agreements in response to a corrective action plan that is being implemented as a result of a similar finding identified in the prior year. As new grant agreements are executed, the required information will be communicated to subrecipients. The 10 grant agreements reviewed as part of our testwork were not newly executed agreements as the subrecipient grant expenditures incurred during the audit period were associated with amendments on existing agreements. The changes being implemented on new subrecipient agreements are not being made to amendments to existing agreements.

- The Department requires a risk assessment to be performed prior to entering into a subrecipient grant agreement. For each of the 10 subrecipient selected for testwork, the grant agreements were entered into prior to the date in which the Department's risk assessment policy went into effect in June of 2018. The Department has made some changes to its risk assessments process; however, those changes did not go into effect until State fiscal year 2021.

- The Department currently does not have a documented subrecipient monitoring policy that outlines the types and frequency of monitoring procedures that will be performed over this federal program and how those monitoring procedures will be documented.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR sections 200.331(d) through (f). In addition, as there is no documented subrecipient monitoring policy for this program, fiscal and programmatic monitoring requirements that the subrecipient is required to comply with may not be appropriately or timely monitored for compliance by the Department, resulting in potential unallowable costs being charged to the program.

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR sections 200.331(d) through (f). This would include ensuring that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. As a result of the risk assessment performed, monitoring activities are performed over subrecipients to ensure compliance with the terms and conditions of its subrecipient grant agreement. The procedures that are to be performed based upon the assessed level for of risk should be outlined in a documented subrecipient monitoring policy that is specific to this program. The subrecipient monitoring policy should document the types and frequency of monitoring activities that will be performed.

View of Responsible Officials

A. We concur the Department did not communicate award information to subrecipients through the approved contract as required by 2 CFR 200.331 (a). The remedy has already been implemented.

   a. Federal Award Identification Number (FAIN) – In November 2019, the Department added the FAIN number to the letter for the Governor and Council requesting approval. Further, the FAIN number was also added to Exhibit C of the Department's contracts in February 2020.

   b. Federal award date – The Federal Award Date was added to Exhibit C of the Department's contracts.

   c. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414) – Indirect cost rates were added to Exhibit C of the Department's contracts in April 2020.

   d. Identification of whether the award is R&D – R&D identification was added to Exhibit C of the Department's contracts in February 2020.

B. and C. We concur with the finding. We consider the finding to be fully resolved through Department policy and Department wide implementation. However, it should be noted full compliance will not be achieved for one to two contact cycles due to timing.

The Department began addressing the issue of Subrecipient Monitoring issue in June 2017 when the first Grants Administrator was hired.

The Department finalized the Subrecipient Monitoring Policy, which encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February and September 2018, training over one hundred forty-six staff. However, only brand new procurements utilized this policy during the initial roll out of this policy.

The Department hired a new Grants Administrator in May 2019. The full Subrecipient Monitoring policy rolled out to all procurements, including sole source, amendments, and renewals, effective August 1, 2020. The Contracts Unit received specialized subrecipient monitoring training on May 13 and October 28, 2020. Department wide training to all staff occurred weekly between September 8 and November 3, 2020. The Grants Office provided additional targeted training to Program staff through team meetings. Over one hundred fifty Program and Finance staff received training. Annual training will be held in September each year. Refresher training or training for new staff is available upon request from the Grants Office.

Additionally, the Grants Office website launched in June 2020, which offers Program, Finance, and Contracts Unit staff access to the all the Grants Office policies, including the subrecipient monitoring policy, as well as training modules, slides, and tools. The training has also been recorded and is available on this site.

The Subrecipient Monitoring Policy requires Program to determine whether any vendor which receives funds in exchange for goods or services is a Contractor or Subrecipient. Determined subrecipients receive an Appendix B, which includes an eighteen question questionnaire and requirements for submitting financial data. This information is used to populate the Risk Assessment Tool, which shows any risks pertinent to a subrecipient and the subaward. Based on the risks shown, Program chooses monitoring activities to mitigate the risks and the Contracts Unit memorializes these choices in the contract.

The Grants Office works closely with the Contracts Unit to ensure compliance with the Subrecipient Monitoring policy.

Anticipated Completion Date

A. Completed.

B. Policy implementation complete.

C. Policy implementation complete.

Contact Person

Melissa Kelleher, Grants Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-020

NH Department of Human Services

Social Services Block Grant (93.667)

Federal Award Numbers: 2018G992342, 2019G992342

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Cash Management

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

U.S. Department of the Treasury (Treasury) regulations at 31 CFR 204 part 205 implement the Cash Management Act of 1990 (CMIA). 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 program under the CMIA. Treasury-State Agreements also specify the terms and conditions under which an interest liability would be incurred.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

Under the Treasury – State Agreement (TSA) that was entered into by the State of New Hampshire and the U.S. Department of the Treasury for the period ending June 30, 2020, the funding technique that was approved to be used for the Social Services Block Grant program is the Cost Allocation Plans-Quarterly-Other technique. Under this technique, the State shall request funds no less than quarterly once Cost Allocation is available to fund activity of the prior quarter and is considered to be interest neutral.

During our testwork over the cash management process, we noted that for 2 of 3 cash draws selected for testwork, the cash draw was not made in accordance with the technique outlined within the CMIA agreement, but instead used the technique of actual draw – monthly. Under this technique the draw is based on the actual expenditures over the prior month. This technique is also interest neutral.

Cause

The cause of the condition found was primarily due to the human error. The Department of Human Services had requested that the Treasury- State Agreement be updated to change the technique for the Social Services Block Grant to actual-draw monthly. While the change was approved, it not updated within the TSA until the fiscal year ending June 30, 2021.

Effect

The effect of the condition found is that the Department did not request funds for reimbursement in accordance with the approved TSA. As both techniques are interest neutral, there was no CMIA impact on the noncompliance.

Questioned Costs

None.

Recommendation

We recommend that the Department review its existing policies and procedures to review the approved TSA annually to ensure the funding techniques utilized for those federal programs covered under the Agreement are utilized in order to comply with the provisions of the Agreement.

View of Responsible Officials

The Department concurs. The Department will review its existing policies and procedures for the annual review of the Treasury-State Agreement. The Department changed the funding techniques across all grants so that the costs outside of CMIA are drawn on a monthly basis.

Anticipated Completion Date

June 30, 2021

Contact Person

Hannah Glines – Revenue Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-021

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 2005NH5MAP, 1805NH5ADM, 1905NH5ADM, 2005NH5ADM, 1805NHIMPL, 1905NHIMP, 2005NHIMP

Federal Award Years: 2018, 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provision: Utilization Control and Program Integrity

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: 2019-020

Statistically Valid Sample: No

Criteria

The State Plan must provide methods and procedures to safeguard against unnecessary utilization of care and services. In addition, the State must have (1) methods of determining 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).

Per 2 CFR 200.303, non-federal entities must establish and maintain effective internal control over federal awards that provide 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 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 managed 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 fiscal year 2019. However, due to performance issues as noted in 2019, PIU brought the QIO process in-house during the first quarter of the 2020 fiscal year. Procedures were developed but the Department was unable to hire a QIO reviewer during the year. As such, no QIO reviews were performed during fiscal year ended June 30, 2020.

Cause

The cause of the condition found was primarily due to the Departments inability to hire a QIO reviewer to perform the required QIO reviews.

Effect

The Department did not perform utilization reviews for in-state, border and specialty retrospective inpatient reviews on the fee for service population during fiscal year 2020.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Questioned Costs

None.

Recommendation

We recommend the Department ensures adequate controls and processes have been established to address utilization methodology execution and review of results. In addition, the Department should hire the resources to execute the methodology.

View of Responsible Officials

As previously stated, the Program Integrity Unit made the decision to bring the QIO function to perform utilization reviews in house. To that end, PIU has developed policy/procedure to guide the in-house QIO function.

Further, the Department created two staff positions in the State Fiscal Year 20/21 budget to perform the quality reviews; however, they remain unfilled at this time. Due to these vacancies, Program Integrity has assigned this function to an existing position and has begun the review of the backlogged cases. In addition, the PIU has developed a tracking sheet for this purpose. It is the intent of the Program Integrity unit to ensure all months are sampled and reviewed from the end of the QIO contract moving forward.

Anticipated Completion Date

March 31, 2022

Contact Person

Francesca Hennessy

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-022

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 2005NH5MAP, 1805NH5ADM, 1905NH5ADM, 2005NH5ADM, 1805NHIMPL, 1905NHIMP, 2005NHIMP

Federal Award Years: 2018, 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provision: Provider Eligibility (Screening and Enrollment)

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: 2019-021

Statistically Valid Sample: No

Criteria

In order to receive Medicaid payments, providers must: (1) be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106). Medicaid managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H.

Per 2 CFR 200.303, non-federal entities must establish and maintain effective internal control over federal awards that provide 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 Department assigns risks to each provider based on their provider type. All new provider enrollments and moderate and high-risk revalidations are reviewed and approved by the Department of Health and Human Services (the Department). However, for limited risk revalidations, the Department has outsourced this service to the Department's Medicaid Management Information System fiscal agent (Fiscal Agent). The Department holds at least bi-weekly meetings with the fiscal agent to discuss issues noted with enrollment, revalidation, trends noted, etc. In addition, the Department has hired the Fiscal Agent to perform a quality assurance review over all new provider and revalidations prior to the notification that they are an eligible provider for State of New Hampshire services to address the accuracy of enrollment. During 2019, the Department modified their process such that the Fiscal Agency received all results from the vendor screenings for revalidations.

During our testwork over the above monitoring controls, the Department provided minutes of the meetings that demonstrated review of enrollment and revalidation processes and discussion of resulting trends and efficiencies on a consistent basis. The feedback from the Fiscal Agent regarding the quality

assurance process is less formalized and more ad-hoc in nature not allowing for audit evidence throughout the fiscal year of the accuracy and operating effectiveness of the monitoring controls.

During our testwork over provider eligibility, we noted for 7 of 65 providers, there was greater than six years between the Department revalidating the providers eligibility. COVID-19 waivers extended prior authorizations for 12 months. However, as these providers were not revalidated in six years, there appears to have been an issue with compliance with the revalidation process prior to COVID-19.

Cause

With regard to the monitoring controls, the condition noted is due to lack of a formalized process to receive information on a regular basis from the Fiscal Agent resulting in the control not being effectively designed. The main cause for the delay in revalidation was funding priorities to start the project and the length of time it took to implement the project which included proper notification to providers of the requirement.

Effect

The effect of the condition found is that the Department does not revalidate providers timely.

Questioned Costs

None.

Recommendation

We recommend the Department implement monitoring and communication controls to continually assess the need for provider revalidation to ensure that it is executed timely and in accordance with the requirements, including a plan to become current on older reviews.

View of Responsible Officials

DHHS knew that we were behind in establishing the system processes for revalidation. DHHS established a team of DHHS staff, MMIS, DoIT staff and fiscal agent staff to establish a project plan and implementation of the revalidation process. This required system updates, new provider revalidation application, provider notification, and how to handle revalidations that were past due. DHHS approved all decision regarding this project. DHHS also reached out to CMS for technical assistance to perform revalidations including the electronic data exchange of duel providers that are enrolled with Medicare and Medicaid to expect the revalidation screening process, which allowed DHHS to screen thousands of providers quickly and efficiently expediting the process. DHHS and the fiscal agent are actively performing revalidation monthly and the process is being reviewed and updated as needed to ensure all revalidations are done correctly and timely. As such, starting in July 2019, revalidations are reviewed and approved by the Department which includes a DEX lookup for each provider and the Fiscal Agent changed the screening reporting with their vendor to send all screening results to the Fiscal Agent, not just the negative results. The Fiscal Agent does not approve the revalidation until all screenings are complete, including the Department review and properly documented in the provider's electronic case file. All older reviews have been processed and notices have been sent. However, based on the restrictions on revalidation and enrollment due to COVID, we will not be able to terminate any providers for not completing revalidation until the emergency has ended. During this time, DHHS receives a Work List Report of providers selected for revalidation that have not submitted their revalidation application. DHHS is diligently reaching out to these providers to obtain revalidation applications and documentation

to reduce the number of outstanding revalidations during COVID. DHHS and the Fiscal Agent has also established a plan to address non-compliant revalidations once the emergency period has ended.

DHHS will ensure current procedures cover all required regulations for provider enrollment. DHHS will establish with the Fiscal Agent, quarterly reporting of the Fiscal Agent's Quality Assurance unit to monitor errors and trends for correction.

Anticipated Completion Date

Outstanding revalidations and process changes will be completed within 6 months of the end of the Federal Emergency Order (EO) as required under the EO

Contact Person

Francessca Hennessy

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-023

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 2005NH5MAP, 1805NH5ADM, 1905NH5ADM, 2005NH5ADM, 1805NHIMPL, 1905NHIMP, 2005NHIMP

Federal Award Years: 2018, 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Eligibility

Type of Finding: Significant Deficiency and Material Noncompliance

Prior Year Finding: 2019-022

Statistically Valid Sample: No

Criteria

Eligibility for Medicaid can be broadly grouped into determinations based on Modified Adjusted Gross Income (MAGI-based determination) and non-MAGI determinations (e.g. Aged, Blind and Disabled). Auditors should test eligibility determinations made for fee-for-service and managed care beneficiaries. The auditors should re-determine eligibility to ensure beneficiaries qualify for the Medicaid program and are in the appropriate enrollment category.

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

The Division of Medicaid Services (DMS), with the Department of Health and Human Services (the Department) administers the Medicaid program. The Bureau of Family Assistance (BFA) is responsible for determining eligibility for non-MAGI groups as well as MAGI groups according to New Hampshire policy.

One hundred sixty MAGI and non-MAGI participants were selected for review, who fell into four main eligibility types: fee for service, managed care, waiver, and nursing home. During the audit, for 64 of 160 participants, (7 of 40 for fee for service, 7 of 40 for MCO, 12 of 40 waiver and 38 of 40 nursing home) the Department was unable to provide support to verify that the participants social security income had been matched, via a Bendex match, with the Social Security Administration (SSA) because the SSA has not provided New Hampshire authorization to share that information. Therefore, validation that the participants were deemed eligible by the SSA was not able to be determined.

Cause

The cause of the condition is that the SSA has not issued a Redisclosure Memorandum for the CMS Single Audit. Without the Memorandum, states do not have permission to disclose SSA data to any auditors.

Effect

The Department could be providing Medicaid benefits to participants who may be ineligible for the program.

Questioned Costs

Not determinable.

Recommendation

The Department should obtain approval from SSA to share data with the single auditor or work with SSA to provide correspondence to the single auditor confirming eligibility for individuals during the audit process.

View of Responsible Officials

We concur. We are in the process of updating the Informational Exchange Agreement (IEA) between the Social Security Administration (SSA) and the New Hampshire Department of Health and Human Services (DHHS). This will include obtaining authorization for KPMG, as a contractor, to receive access to the necessary data to complete the Single Audit of the department.

Anticipated Completion Date

Approval of Updated IEA

Contact Person

Elizabeth Gillett

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-024

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 2005NH5MAP, 1805NH5ADM, 1905NH5ADM, 2005NH5ADM, 1805NHIMPL, 1905NHIMP, 2005NHIMP

Federal Award Years: 2018, 2019, 2020

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provision: Medicaid National Correct Coding Initiative

Type of Finding: Material Weakness and Scope Limitation

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

In accordance with Section 1903(r) of the Social Security Act, effective October 1, 2010, SMAs were required to incorporate NCCI methodologies into the state Medicaid programs pursuant to the requirements of Section 6507 of the Affordable Care Act.

In paying applicable Medicaid claims, states' MES are required to completely and correctly implement the following six Medicaid NCCI methodologies to ensure that only proper payments of procedures are reimbursed.

a. NCCI Procedure-to-Procedure (PTP) edits for practitioner and ambulatory surgical center (ASC) claims.

b. NCCI PTP edits for outpatient hospital services, including emergency department, observation care, and outpatient hospital laboratory services.

c. Medically Unlikely Edit (MUE) units of service (UOS) edits for practitioner and ASC services.

d. MUE UOS edits for outpatient hospital services including emergency department, observation care, and outpatient hospital laboratory services.

e. MUE UOS edits for durable medical equipment (DME) billed by providers.

f. NCCI PTP edits for durable medical equipment (added in October 2012).

States are also required to use:

- all four components of each Medicaid NCCI methodology;
- the most recent quarterly Medicaid NCCI edit files for states;
- the Medicaid NCCI edits in effect for the date of service on the claim line or claim;
- the claim-adjudication rules in the Medicaid NCCI methodologies; and

- all modifiers for Healthcare Common Procedure Coding System (HCPCS) codes and Current Procedural Terminology (CPT) codes needed for the correct adjudication of applicable Medicaid claims.

The NCCI Medicaid Policy Manual and the NCCI Medicaid Technical Guidance Manual contain additional requirements for implementation of the NCCI methodologies.

The Medicaid NCCI methodologies must be applied to Medicaid fee-for-service claims submitted with, and reimbursed on the basis of, HCPCS codes and CPT codes. This includes claims reimbursed on a fee-for-service basis in state Medicaid Primary Care Case Management managed care programs. Application of NCCI methodologies to fee-for-service claims processed by other entities, including limited benefit plans or Managed Care Organizations, is not required; however, if SMAs require the application of NCCI methodologies to fee-for-service claims processed by such entities, then such entities must meet NCCI program requirements, including compliance with the NCCI Medicaid Policy Manual and the NCCI Medicaid Technical Guidance Manual.

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

Per the Department of Health and Human Services (the Department), the edits required by the above criteria reside in the Medicaid Management Information System (MMIS) and are activated based on responses sent back to MMIS from Cotiviti, a third-party vendor. MMIS is managed by Conduent. Conduent has a SOC1 report prepared to report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design of the controls to achieve the related control objectives included in the description as of a specified date. The Conduent SOC1 report for the period July 1, 2019 to June 30, 2020 did not include consideration of the NCCI process with Cotiviti and the related NCCI edits within MMIS. Based on this, there is no ability to validate the NCCI process as the control environment and control objectives were not included the SOC report.

Cause

The cause of the condition found was primarily due to the Departments lack of recognizing and notifying Conduent of the requirement to test the automatic MMIS NCCI edits within the SOC1 report.

Effect

The six required Medicaid NCCI methodologies to ensure that only proper payments of procedures are reimbursed may not be completely and correctly implemented by the Department.

Questioned Costs

None.

Recommendation

We recommend for the Conduent SOC1 report for the period July 1, 2020 to June 30, 2021, the Department implement a process to ensure the auditor of MMIS tests the automatic NCCI edits for the suitability of the design of the controls to achieve the related control objectives and properly includes any additional general control environment.

View of Responsible Officials

We concur. Conduent will update the narrative within the SOC 1 document for Claims Processing Control Objective 5 to include NCCI editing from SOC1 2021 audit (audit period July 1, 2020 to June 30, 2021) onwards. The auditing firm will update the objective tracker to include a sample selection of claims that would have NCCI edits on them. The SOC1 report will be provided to the State.

Anticipated Completion Date

Completion of the FY2021 SOC audit.

Contact Person

Ken Gagne, MMIS Technology Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Finding Reference Number: 2020-025

NH Department of Human Services

Opioid STR (93.788)

Federal Award Numbers: 3H79T1081685-01, 6H79T1081685-01M003, 1H79T1080246-01

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2019-023

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

Under the State Targeted Response to the Opioid Crisis (STR) program, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with third parties to provide evaluation and treatment services to individuals with an opioid substance abuse disorder. On a monthly basis, the subrecipient submits a request for reimbursement for services that were rendered under that month. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved agreement. Per review of the agreement, for all 9 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331. Specifically, the following elements were not communicated:

a. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414);

b. Identification of whether the award is R&D; and

c. The federal award date.

B. We were unable to obtain documentation to support that a risk assessment had been performed for each of the 9 subrecipients selected for testwork. As a result, it was unclear as to what type of during the award monitoring was required to be performed over the 9 subrecipients selected for testwork.

Cause

The cause of the condition found was primarily due to the following:

- The Department is in the process of modifying its subrecipient grant agreements in response to a corrective action plan that is being implemented as a result of a similar finding identified in the prior year. As new grant agreements are executed, the required information will be communicated to subrecipients. The 9 grant agreements reviewed as part of our testwork were not newly executed agreements as the subrecipient grant expenditures incurred during the audit period were associated with amendments on existing agreements. The changes being implemented on new subrecipient agreements are not being made to amendments to existing agreements.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. For each of the 9 subrecipient selected for testwork, the contracts were entered into prior to the date in which the Department's risk assessment policy went into effect in June of 2018. The Department has made some changes to its risk assessments process; however, those changes did not go into effect until State fiscal year 2021.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b).

Questioned Costs

Not determinable.

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a) and 2 CFR section 200.331(b). This would include ensuring that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and

View of Responsible Officials

A. We concur the Department did not communicate award information to subrecipients through the approved contract as required by 2 CFR 200.331 (a). The remedy has already been implemented.

   a. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414) – Indirect cost rates were added to Exhibit C of the Department's contracts in April 2020.

   b. Identification of whether the award is R&D – R&D identification was added to Exhibit C of the Department's contracts in February 2020.

   c. Federal award date – The Federal Award Date was added to Exhibit C of the Department's contracts.

B. We concur with the finding. We consider the finding to be fully resolved through Department policy and Department wide implementation. However, it should be noted full compliance will not be achieved for one to two contact cycles due to timing.

   The Department began addressing the issue of Subrecipient Monitoring issue in June 2017 when the first Grants Administrator was hired.

   The Department finalized the Subrecipient Monitoring Policy, which encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February and September 2018, training over one hundred forty-six staff. However, only brand new procurements utilized this policy during the initial roll out of this policy.

   The Department hired a new Grants Administrator in May 2019. The full Subrecipient Monitoring policy rolled out to all procurements, including sole source, amendments, and renewals, effective August 1, 2020. The Contracts Unit received specialized subrecipient monitoring training on May 13 and October 28, 2020. Department wide training to all staff occurred weekly between September 8 and November 3, 2020. The Grants Office provided additional targeted training to Program staff through team meetings. Over one hundred fifty Program and Finance staff received training. Annual training will be held in September each year. Refresher training or training for new staff is available upon request from the Grants Office.

   Additionally, the Grants Office website launched in June 2020, which offers Program, Finance, and Contracts Unit staff access to the all the Grants Office policies, including the subrecipient monitoring policy, as well as training modules, slides, and tools. The training has also been recorded and is available on this site.

   The Subrecipient Monitoring Policy requires Program to determine whether any vendor which receives funds in exchange for goods or services is a Contractor or Subrecipient. Determined subrecipients receive an Appendix B, which includes an eighteen question questionnaire and requirements for submitting financial data. This information is used to populate the Risk Assessment Tool, which shows any risks pertinent to a subrecipient and the subaward. Based on the risks shown, Program chooses monitoring activities to mitigate the risks and the Contracts Unit memorializes these choices in the contract.

The Grants Office works closely with the Contracts Unit to ensure compliance with the Subrecipient Monitoring policy.

Anticipated Completion Date

A. Completed.

B. Policy implementation complete.

Contact Person

Melissa Kelleher, Grants Administrator

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SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2019-003	*Department of Justice*	16.575	Subrecipient Monitoring – insufficient controls	Not Determinable	*Resolved*
2019-004	*Department of Justice*	16.575	Eligibility, Suspension and Debarment, Subrecipient Monitoring – insufficient controls and procedures	None	*Resolved*
2019-005	*Department of Justice*	16.575	Reporting – lack of internal controls and procedures	Not Determinable	*Unresolved See G-9 and related finding 2020-002*
2019-006	*Department of Justice*	16.575	Cash Management – lack of controls and procedures	Not Determinable	*Resolved*
2019-007	*Department of Education*	84.010	Special Tests and Provisions – Assessment System Security – insufficient internal controls	None	*Resolved*
2019-008	*Department of Education*	84.010	Special Tests and Provisions – Annual Report Card, High School Graduation Rate – lack of internal controls and procedures	None	*Partially Resolved.See G-11 and related finding 2020-009*
2019-009	*Department of Education*	84.027 84.173	Subrecipient Monitoring – insufficient controls and procedures	None	*Partially Resolved. See G-14*
2019-010	*Department of Education*	84.048	Subrecipient Monitoring – insufficient controls and procedures	None	*Partially Resolved. See G-16*
2019-011	*Department of Health and Human Services*	93.044 93.045 93.053	Subrecipient Monitoring – insufficient controls and procedures	None	*Partially Resolved. See G-19*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2019-012	*Department of Health and Human Services*	93.044 93.045 93.053	Matching, Level of Effort, Earmarking – insufficient review controls	None	*Partially Resolved. See G-23*
2019-013	*Department of Health and Human Services*	93.044 93.045 93.053	Special Tests and Provisions – Distribution of Cash – insufficient controls and procedures	Not Determinable	*Partially Resolved. See G-25*
2019-014	*Department of Health and Human Services*	93.558 93.714	Allowability – inadequate review controls	Not Determinable	*Resolved*
2019-015	*Department of Health and Human Services*	93.558 93.714	Special Tests and Provisions: Child Support Non-Cooperation – inadequate review controls	Not Determinable	*Partially Resolved. See G-27 and related finding 2020-012*
2019-016	*Department of Health and Human Services*	93.558 93.714	Special Tests and Provisions: Lack of Child Care for Single Custodial Parent of Child under Age Six – inadequate review controls	Not Determinable	*Partially Resolved. See G-29 and related finding 2020-013*
2019-017	*Department of Health and Human Services*	93.558 93.714	Special Tests and Provisions: Penalty for Failure to Comply with Work Verification Plan – inadequate review controls	Not Determinable	*Partially Resolved. See G-31 and related finding 2020-014*
2019-018	*Department of Health and Human Services*	93.569	Subrecipient Monitoring – insufficient controls and procedures	None	*Partially Resolved. See G-33*
2019-019	*Department of Health and Human Services*	93.667	Subrecipient Monitoring – insufficient controls and procedures	Not Determinable	*Partially Resolved. See G-36 and related finding 2020-019*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2019-020	*Department of Health and Human Services*	93.775 93.777 93.778	Special Tests and Provision: Utilization Control and Program Integrity – inability to provide required documentation	None	*Partially Resolved. See G-39 and related finding 2020-021*
2019-021	*Department of Health and Human Services*	93.775 93.777 93.778	Special Tests and Provision: Provider Eligibility (Screening and Enrollment) – inconsistent processes and documentation	None	*Partially Resolved. See G-41 and related finding 2020-022*
2019-022	*Department of Health and Human Services*	93.775 93.777 93.778	Eligibility – ineffective controls and improper oversight	Not Determinable	*Partially Resolved. See G-44 and related finding 2020-023*
2019-023	*Department of Health and Human Services*	93.778	Subrecipient Monitoring – insufficient controls and procedures	Not Determinable	*Partially Resolved. See G-47 and related finding 2020-025*
2019-024	*Department of Safety*	97.036	Subrecipient Monitoring – insufficient controls and procedures	Not Determinable	*Partially Resolved. See G-51*
2018-002	*Department of Health and Human Services*	93.775 93.777 93.778	Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services	None	*Partially Resolved. See G-55 and related finding 2020-021*
2018-003	*Department of Health and Human Services*	93.667	Reporting and Period of Performance	$ 191,413	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-006	*Department of Health and Human Services*	93.959	Special Test and Provision – Independent Peer Reviews	None	*Partially Resolved. See G-57*
2018-007	*Department of Health and Human Services*	93.558	Incorrect sanctioning of benefit, Noncompliance under Special Test - Child Support Noncooperation and Adult Custodial Parent of Child Under Six When Childcare Not Available	None	*Unresolved See G-60 and related finding 2020-013*
2018-008	*Department of Health and Human Services*	93.558	Insufficient documentation to support compliance with required maintenance of effort (MOE) requirements as it relates to in-kind contributions from third party organizations	None	*Unresolved. See G-63*
2018-009	*Department of Health and Human Services*	93.558	Special Test and Provision - Insufficient documentation to support work verification activities	None	*Partially Resolved. See G-66 and related finding 2020-014*
2018-012	*Department of Health and Human Services*	93.575 93.596 93.558	General Information Technology Controls related to access to programs and data within the Bridges application were not operating effectively for the period	None	*Partially Resolved. See G-68*
2018-014	*Department of Health and Human Services*	93.268	Reporting • Annual SF-425 FFR requirement was not submitted timely • Schedule of Expenditures of Federal Awards (SEFA) reporting was not reviewed and incorrect	None	*Partially Resolved. See G-72*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-015	*Department of Health and Human Services*	93.069 93.889	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	$ 544,416	*Resolved*
2018-016	*Department of Health and Human Services*	93.069	The Department of Health and Human Services (DHHS) should comply with the earmarking requirements.	None	*Unresolved. See G-75*
2018-018	*Department of Health and Human Services*	93.889	The Department should improve internal controls over and compliance with reporting of the SF-425 annual report and Period of Performance Requirements.	$ 14,497	*Partially Resolved. See G-77*
2018-019	*Department of Health and Human Services*	93.069 93.889	Lack of Controls over Schedule of Expenditures of Federal Awards (SEFA) Reporting and Financial Reporting and Reconciliation	None	*Partially Resolved. See G-79*
2018-020	*Department of Health and Human Services*	93.889	Direct payroll costs not approved appropriately	None	*Partially Resolved. See G-82*
2018-025	*Department of Education*	84.010 84.367	Program Assurances Not Approved	None	*Resolved*
2018-026	*Department of Education*	84.010	Assessment System Security Special Test Not Complied With	None	*Resolved*
2018-029	*Department of Education*	84.010 84.367	Lack of controls and compliance over ensuring participation of private school children federal requirements were met	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-030	*Department of Education*	84.010	Lack of controls and policies and procedures over ensuring LEAs are maintaining documentation to support removal of students from the regulatory adjusted cohort	None	*Partially Resolved See G-84 and related finding 2020-009*
2018-034	*Department of Administrative Services*	10.553 10.555 10.556 10.559	Internal controls were not functioning and compliance over accountability for USDA-donated foods was not met.	None	*Partially Resolved. See G-86*
2018-035	*Department of Education*	10.553 10.555 10.556 10.559	Internal controls were not functioning and noncompliance over reporting	None	*Partially Resolved. See G-90*
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	*Partially Resolved. See G-92*
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-94*
2017-016	*Department of Health and Human Services*	93.658	Invoices from contractors lack sufficient support.	Not Determinable	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
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-98 and related finding 2020-019*
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-101*
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	*Resolved*
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	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
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-103*
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-106*
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-109*
2017-029	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Partially Resolved. See G-112*
2017-042	*Department of Education*	84.010	Lack of policy to ensure LEA's implement Assessment System Security measures	None	*Resolved*
2017-044	*Department of Administrative Services*	10.553 10.555 10.556 10.559	Accountability for USDA-Donated Foods	None	*Partially Resolved. See G-116*

TOTAL UNRESOLVED QUESTIONED COSTS AS OF JUNE 2020: $ 750,326

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-005

NH Department of Justice

Crime Victim Assistance (16.575)

Federal Award Numbers: 2015-VA-GX-0007, 2016-VA-GX-0061, 2017-VA-GX-0044

Federal Award Year: 2014, 2015, 2016

U.S. Department of Justice

Compliance Requirement: Reporting

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated. Electronic versions of the standard forms are located on agency's home page.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 testwork over the federal reporting process, we were unable to agree the current period expenditures reported to external supporting documentation for 5 reports selected for testwork. The Department prepares the federal report using internally prepared spreadsheets, referred to as VOCA spreadsheets. The Department continuously updates these spreadsheets and does not save the version that was used to prepare the FFR. In addition, the Department does not perform a formal reconciliation between the VOCA spreadsheets and the State of New Hampshire's centralized accounting system, NHFirst. As such, we were unable to agree the amounts on the FFR to the underlying supporting records. As a result, we were unable to verify whether or not the federal reports filed were complete and accurate

Cause

The cause of the condition found was primarily due to the lack of internal controls and procedures in place to ensure documentation to support the FFR, as filed, is maintained by the Department and that the internal spreadsheets used to prepare the FFR is reconciled to NHFirst.

Effect

The effect of the condition found is that the Department may not have filed accurate federal reports.

Questioned Costs

Not determinable

Recommendation

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

We recommend the Department review its existing policies and procedures to implement policies and controls to ensure it complies with the federal financial reporting requirements. These procedures should include that for each FFR filed, the Department maintains accounting records which support the amounts reported. We also recommend that the Department take steps to ensure the records maintained internally agree to the State's accounting system of record, NHFirst.

View of Responsible Officials

The DOJ concurs with this Finding. The Federal Financial Reports filed at the time with the US Department of Justice were correct. However, subsequent adjustments and reconciliations to the awards ultimately indicted previous reporting to be incorrect. Each FFR filed with US DOJ indicates that the FFR is "updated" and that the *cumulative* numbers are accurate. The FFR website does not allow data entry into the cumulative numbers section, only the reporting period. This causes data entry to be skewed to report numbers to match the cumulative amounts. This information was provided to the auditors during the audit. Due to systemic improvements in the accounting and reconciliation of federal programs, this should no longer be an issue going forward. VOCA Spreadsheets utilized to report the FFR are now being kept as historical back up information to the FFR.

Expenditures reported into the VOCA tracking spreadsheets are now entered into the spreadsheet only after posting into the State's system of record, NHFirst, by the Grants Management Unit accountant. This was a system that was not in place at the beginning of the audit period.

Anticipated Completion Date

Completed

Contact Person

Thomas Kaempfer, Interim Director of Administration

Tanya Pitman, VOCA Grant Administrator

Anne Edwards, Associate Attorney General

Status as of May 2021

Unresolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-002

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-008

NH Department of Education

Title I Grants to Local Educational Agencies (84.010)

Federal Award Numbers: S010A170029, S010A180029

Federal Award Year: 2018, 2019

U.S. Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-030

Statistically Valid Sample: No

Criteria

A State Educational Agency (SEA) and its Local Educational Agencies (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 and, at an SEA's or LEA's discretion, extended-year adjusted cohort rates. Graduation rate data must be reported both in the aggregate and disaggregated by subgroup in section 1111(c)(2) of the ESEA using a 4-year adjusted cohort graduation rate (and any extended-year adjusted cohort rates). (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(25), (23)). Except as noted below, only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating graduation rates. The term "regular high school diploma means the standard high school diploma that is awarded to the preponderance students in the State and that is fully aligned with the State standards (but not to alternate academic achievement standards for students with the most significant cognitive disabilities) or a higher diploma. A regular high school diploma does not include a recognized equivalent of a diploma, such as a general equivalency diploma, certificate of completion, certificate of attendance, or similar lesser credential (ESEA section 8101(43). An SEA may, but is not required to, award a State-defined alternate diploma for students with the most significant cognitive disabilities who take an alternate assessment aligned with alternate academic achievement standards. That the diploma must be standards based, aligned with the State's requirements for a regular high school diploma, and obtained within the time period for which the State ensure the availability of a free appropriate public education. If an SEA awards an alternate diploma, the SEA may count those students in its four-year and any extended-year adjusted cohort graduation rate, even if the student takes more than four years to receive the alternate diploma.

To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, 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 the graduation rate and must remain in the adjusted cohort (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(25), (23)).

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 the year ending June 30, 2019, the New Hampshire Department of Education (the Department) implemented an on-site programmatic monitoring process over LEAs to ensure that the LEA had appropriately complied with the terms and conditions of their grant agreement and with federal regulations. As part of the programmatic on-site monitoring review process, the Department was to review and ensure that there were policies and procedures in place at the LEA related to the removal of students from the cohort. During our testwork over the Department's programmatic on-site monitoring reviews, we noted that for all 3 of the on-site monitoring reviews selected for testwork the requirement related to the removal of students from the cohort was not monitored.

Cause

The cause of the condition found was primarily due to the fact that the Department is in the process of implementing its new programmatic on-site monitoring process. While the monitoring tool used by the Department included a component to review the LEA's process for removing students from the cohort, the Department has not yet developed and implemented specific internal controls and procedures that it will perform to monitor this component of compliance.

Effect

The effect of the condition found is that the Department did not sufficiently monitor the LEA's compliance with policies and procedures related to the removal of students from the cohort to ensure that graduation rates are accurately reported to the Department.

Questioned Costs

None

Recommendation

We recommend that the Department continue to review its existing policies and implement controls and procedures over the monitoring of the accuracy of the cohort at the LEA and related accuracy of graduation rates to ensure that specific monitoring procedures are developed and implemented to appropriately monitor the federal requirement at the LEA.

View of Responsible Officials

We concur

This finding is a repeat finding (*Finding 2018-030).* The NHDOE Division of Learner Support intends to include confirming that LEAs are maintaining the appropriate student documentation as part of the Established Title I, Part A subrecipient monitoring program. Title I, Part A program monitoring was completed by Division staff during the spring of 2019. While the current Title I, Part A Program Compliance Monitoring Guide 2018-2019 documents speak to the requirement that an LEA must have written documentation that a student transferred out, it does not direct the LEA to provide any supporting documentation or describes how the NHDOE will confirm the existence of the documentation.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Anticipated Completion Date

March 31, 2020

Contact Person

Lindsey Scribner, Agency Audit Manager, Bureau of Federal Compliance

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-009

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-009

NH Department of Education

Special Education Cluster (84.027, 84.173)

Federal Award Numbers: H027A160103-16A, H027A160103-16B, H027A170103-17A, H027A170103-17B, H027A180103-18A, H027A180103-18B

Federal Award Year: 2017, 2018, 2019

U.S. Department of Education

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the IDEA cluster, the New Hampshire Department of Education (the Department) enters into grant agreements with local educational agencies to provide special education and related services to eligible children with disabilities. As part of our testwork over the subrecipient monitoring process, we noted that the Department communicates award information to subrecipients through a grant award notice. Per review of the grant award notices issued during the year ending June 30, 2019, we noted that for all 25 subrecipients selected for testwork that the grant award notice did not communicate the following required elements:

a. Subrecipient's unique entity identifier

b. Federal Award Identification Number

c. Federal award date of the award to the recipient by the federal agency

d. Subaward period of performance start and end date

e. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

f. Identification of whether the award is R&D

g. Appropriate terms and conditions concerning the close out of the subaward

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Cause

The cause of the condition found was primarily due to insufficient control procedures in place to ensure that the grant award notifications issued by the Department contained all of the required elements outlined in 2 CFR section 200.331(a).

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a).

Questioned Costs

None

Recommendation

We recommend that the Department review its existing policies and procedures and implement the appropriate controls to ensure that the Department communicates all required award identification information to subrecipients as outlined within the provisions of 2 CFR section 200.331(a).

View of Responsible Officials

We concur

The NHDOE Division of Learner Support, Bureau of Student Support is committed to correcting this issue of insufficient controls and noncompliance related to providing award identification information to subrecipients. The Bureau will develop procedures and timelines to address the finding and to ensure all districts receive a Grant Award Notification (GAN). The NHDOE is also going through a Grants Management System (GMS) update which will hopefully send out GANS to districts upon grant approval.

Anticipated Completion Date

April 1, 2020

Contact Person

Lindsey Scribner, Agency Audit Manager, Bureau of Federal Compliance

Status as of May 2021

The agency has received notification this finding has been resolved; the resolution will be reflected in the FY21 report.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-010

NH Department of Education

Career and Technical Education – Basic Grants to States (84.048)

Federal Award Numbers: V048A160029-16B

Federal Award Year: 2017

U.S. Department of Education

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
2. 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). This would include ensuring that subrecipients only used funds for career and technical education activities that supplement, not supplant, non-federal funds expended to carry out career and technical education activities and tech-prep activities (Section 311(a) of Perkins IV(20 USC2391(a)).
3. In addition to procedures identified as necessary based on the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal awarded provided to the subrecipient from the pass through entity detected through audits, on-site reviews, and other means.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 (the Department) enters into grant agreements with local educational agencies (subrecipients) to provide funds to develop the career, technical, and academic skills of secondary and postsecondary schools. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. On an annual basis the Department performs a risk assessment rubric to determine which subrecipients should be subjected to an in-depth programmatic monitoring visit. For 8 of 18 subrecipients selected for testwork, the Department was unable to provide the risk assessment rubric that was completed as part of the programmatic monitoring process.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

B. For all 3 subrecipients selected for testwork, we were unable to identify any monitoring procedures, either at the time that the grant was awarded or as part of its subrecipient monitoring process, the Department performed to ensure that subrecipients had used funds to supplement and not supplant non-federal funds to carry out career and technical education activities.

C. For 2 of 3 programmatic monitoring visits selected for testwork, there was no documentation to support that the Department had sent a formal letter to the subrecipient outlining the results of the programmatic monitoring review or whether or not the Department had ensured that corrective action was taken if required.

Cause

The cause of the condition found was primarily due to the insufficient controls and procedures in place over the subrecipient monitoring process to ensure that all required programmatic risk assessments are performed, that supplement not supplant considerations are reviewed as part of the monitoring process and that letters are issued upon conclusion of programmatic monitoring visits.

Effect

The effect of the condition found is that noncompliance could exist at the subrecipient level and there would not be controls and procedures in place for the Department to identify the noncompliance timely.

Questioned Costs

None

Recommendation

We recommend that the Department review its existing policies and procedures to ensure that the Department complies with the provisions 2 CFR section 200.331(b) and 2 CFR section 200.331(d) through (f). This would include implementing controls and procedures to ensure that:

1. A documented programmatic risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient;
2. As part of the subrecipient monitoring process the Department should review compliance with supplement not supplant requirements; and
3. A formal letter be issued as a result of all programmatic monitoring visits that outlines, if applicable, all items requiring corrective action and that all items that require corrective action are followed up on to ensure the matters identified are resolved timely by the subrecipient.

View of Responsible Officials

We concur

1 A documented programmatic risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient.

- Bureau of Career Development is in the process of reworking the risk assessment rubric used to assess risk factors associated with CTE programs funded by Perkins of not meeting performance goals (Core Indicators of Performance).

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

- Annual applications for funds forms submitted for Perkins funds granted to eligible CTE programs will be part of the determination process for targeted monitoring of programs. The Bureau of Career Development will look closely at costs associated with required uses of Perkins funds, and as part of monitoring, we will look at such spending in the programs to be monitored.

2 As part of the subrecipient monitoring process the Department reviews compliance with supplement not supplant requirements

- The annual application for Perkins funds implemented in February 2020, with a due date of May 31, 2020 includes a justification line for each cost. This line includes items about previous sources of funding, including a question about whether or not the spending is new, was previously funded by Perkins, or was previously funded from other sources. The answer for these items gives reviewers of the annual application for funds the opportunity to question the costs, and not test for supplement, not supplant.

3 A formal letter is issued as a result of all programmatic monitoring

- As part of a new, two-tiered monitoring process the Bureau of Career Development will issue a monitoring letter to each Perkins subrecipient in April of each year. The letter will include CTE center-wide (non-Federal) findings, recommendations, and corrective actions, and the results, including findings, recommendations, and corrective actions for programs selected as part of the programmatic monitoring (Perkins, Federal).
- Follow up on the letter will take the form of a corrective action plan, developed by the Bureau of Career Development in collaboration with the CTE director of the center with programs monitored. This corrective action plan will include steps taken to address compliance issues identified in the program monitoring letter, along with due dates for completion of activities to resolve the issues.

Anticipated Completion Date

June 1, 2020

Contact Person

Lindsey Scribner, Agency Audit Manager, Bureau of Federal Compliance

Status as of May 2021

The agency has received notification this finding has been resolved; the resolution will be reflected in the FY21 report.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-011

NH Department of Human Services

Aging Cluster (93.044, 93.045, 93.053)

Federal Award Numbers: 18AANHT3SS, 18AANHT3CM, 18AANHT3HD, 18AANHNSIP, 1901NHOANS

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Aging Cluster, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with local entities to provide congregate and home delivery meals to program participants. On a monthly basis, the subrecipient submits a request for reimbursement that is composed of the number of meals served during that month and the subrecipient is reimbursed a set rate for each meal served. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for all 5 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

a. Federal award date

b. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

c. Identification of whether the award is research and development (R&D)

B. The Department did not perform a risk assessment for each of the 5 subrecipients selected for testwork. As a result, it was unclear what type of during the award monitoring was required to be performed over the 5 subrecipients selected for testwork.

C. The Department's during the award monitoring is primarily composed of the Department's review process over monthly invoices submitted for reimbursement by the subrecipient. The Department reviews the invoices prior to payment indicating that the invoice appears reasonable and allowable under federal regulations. In addition, the Department also reviews meal count trends for each subrecipient to look for trends in number of meals provided. While this review is performed at the invoice level, for each of the 5 subrecipients selected for testwork, the Department was unable to provide any documentation to support that it had performed any monitoring procedures to ensure that the actual meal count information submitted by the subrecipient is accurate and that there is sufficient documentation maintained by the subrecipient to support the meals served. As the Department does not have a formal subrecipient monitoring policy that outlines the types and frequency of monitoring activities to be performed and there was no risk assessment performed for these subrecipients, it was unclear whether or not the exclusion of these types of monitoring activities was appropriate.

Cause

The cause of the condition found was primarily due to the following:

- Insufficient controls and procedures to ensure that all required federal award information has been communicated to subrecipients. As this program does not allow for an indirect cost reimbursement and is not R&D, the Department was unaware that it was required to formally communicate that these items are not applicable to the federal award.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. For each of the 5 subrecipient selected for testwork, the contracts were 5 years old and were entered into before the Department's risk assessment policy was implemented. The original contracts reviewed as part of our audit were for a 3 year period with 2 one year renewal options exercised. The Department's risk assessment policy went into effect in June of 2018 and as a result, these existing agreements are not subject to the provisions of the risk assessment policy.
- The Department currently does not have a documented subrecipient monitoring policy that outlines the types and frequency of monitoring procedures that will be performed over this federal program and how those monitoring procedures will be documented.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b). In addition, as there is no documented subrecipient monitoring policy for this program, fiscal and programmatic monitoring requirements that the subrecipient is required to comply with may not be appropriately or timely monitored for compliance by the Department, resulting in potential unallowable costs being charged to the program.

Questioned Costs

None

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251. This would include implementing controls and procedures to ensure that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. As a result of the risk assessment performed, monitoring activities are performed over subrecipients to ensure compliance with the terms and conditions of its subrecipient grant agreement. The procedures that are to be performed based upon the assessed level for of risk should be outlined in a documented subrecipient monitoring policy that is specific to this program. The subrecipient monitoring policy should document the types and frequency of monitoring activities that will be performed.

View of Responsible Officials

We partially concur with the findings.

1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.
2. The Department finalized the Subrecipient Monitoring Policy, which encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.
3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Anticipated Completion Date

June 30, 2020

Contact Person

Melissa Kelleher, Grants Administrator

Status as of May 2021

Partially resolved. The DHHS considers all of the subrecipient monitoring findings to be fully resolved through Department policy and Department wide implementation. However, it should be noted full compliance will not be achieved for one to two contract cycles due to timing.

The Department began addressing the issue of Subrecipient Monitoring issue in June 2017 when the first Grants Administrator was hired.

The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February and September 2018, training over one hundred forty-six staff. However, only brand new procurements utilized this policy during the initial roll out of this policy.

The Department hired a new Grants Administrator in May 2019. The Subrecipient Monitoring policy rolled out to all procurements, including sole source, amendments, and renewals, effective July 1, 2020. The Contracts Unit received specialized subrecipient monitoring training on May 13 and October 28, 2020. Department wide training to all staff occurred weekly between September 8 and November 3, 2020. The Grants Office provided additional targeted training to Program staff through team meetings. Over one hundred fifty Program and Finance staff received training. Annual training will be held in September each year. Refresher training or training for new staff is available upon request from the Grants Office.

Additionally, the Grants Office website launched in June 2020, which offers Program, Finance, and Contracts Unit staff access to the all the Grants Office policies, including the subrecipient monitoring policy, as well as training modules, slides, and tools.

The Grants Office works closely with the Contracts Unit to ensure compliance with the Subrecipient Monitoring policy.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-012

NH Department of Human Services

Aging Cluster (93.044, 93.045, 93.053)

Federal Award Numbers: 18AANHT3SS, 18AANHT3CM, 18AANHT3HD, 18AANHNSIP, 1901NHOANS

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Matching, Level of Effort, Earmarking

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

The State Agency must spend for both services and administration at least the average amount of State funds it spent under the State plan for these activities for the 3 previous fiscal years. If the State Agency spends less than this amount, the Assistant Secretary for Aging reduces the State's allotments for supportive and nutrition services under this part by a percentage equal to the percentage by which the State reduced its expenditures (42 USC 3029 (c); 45 CFR section 1321.49).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the process to track and monitor compliance with federal maintenance of effort requirements, the New Hampshire Department of Health and Human Services (the Department) maintains a spreadsheet called the Maintenance of Effort Worksheet (the Worksheet). The Worksheet is updated quarterly and contains quarterly expenditure data from the Department's cost allocation plan to support the expenditures used to track compliance. During our testwork over compliance with maintenance of effort requirements, we noted that the expenditure data contained within the quarter ending September 30, 2018 Worksheet was not accurate and the Department was unaware of the error. Upon request the Department updated the Worksheet and was able to show that while the expenditure data had been incorrect, the Department maintained compliance with the required maintenance of effort requirement.

Cause

The cause of the condition found was primarily due to insufficient review controls over the accuracy of the Worksheet to detect errors with the expenditure data used to track the maintenance of effort requirement.

Effect

The effect of the condition found is that the Department may not meet its annual maintenance of effort requirement and the noncompliance would not be timely identified due to errors within the Worksheet.

Questioned Costs

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Recommendation

We recommend that the Department review its existing procedures to track annual maintenance of effort requirements and implement necessary management review controls over the Worksheet to ensure that the Worksheet is complete and accurate.

View of Responsible Officials

The Department concurs. Although the error did not produce any erroneous outcomes regarding meeting the Maintenance of Effort, the spreadsheet detailing expenditures did contain a calculation error. As a secondary control, a signature block has been added to the spreadsheet for the preparer to sign, as well as a place for the Supervisor to sign after review. The first signatures will appear on the MOE spreadsheet that is due to be updated mid-April 2020 for the quarter ended March 31, 2020.

Anticipated Completion Date

April 30, 2020

Contact Person

Jayne Jackson, Finance Director – DLTSS

Status as of May 2021

Partially resolved. The DHHS has implemented a secondary control; a signature block at the top of the spreadsheet for the preparer to sign, as well as a place for the supervisor to sign after review. In addition, all of the fields within the spreadsheet are now locked with the exception of the data entry fields. This control will be monitored for efficacy prior to consideration of a full resolution.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-013

NH Department of Human Services

Aging Cluster (93.044, 93.045, 93.053)

Federal Award Numbers: 18AANHT3SS, 18AANHT3CM, 18AANHT3HD, 18AANHNSIP, 1901NHOANS

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions – Distribution of Cash

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

States are required to promptly and equitably distribute NSIP cash to recipients of grants or contracts under OAA Title C1 and C2 (42 USC 3030a(d)(4)).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

On a monthly basis, subrecipients are required to submit a claim for reimbursement for the Nutritional Services Incentive Program (NSIP). As part of the request for reimbursement, the service providers (subrecipients) are required to submit a "Meals Unit Summary" report which is completed and certified by the subrecipient's chief executive. The report breaks out the total number of served meals into eligible and ineligible meals. Each report is submitted to the Business Administrator II for review and approval. During our testwork over NSIP claims paid, for 2 of 15 items selected for testwork the Meals Unit Summary coversheet was not provided. As a result, we were unable to conclude that the accuracy of the meals claimed had been reviewed.

Cause

The cause of the condition found was a result of insufficient controls and procedures to ensure a copy of the Meals Unit Summary was retained to support the claim paid.

Effect

The effect of the condition found is that the New Hampshire Department of Health and Human Services (the Department) may not maintain sufficient documentation to support the review over the accuracy of the claims paid which could result in unallowable costs being charged to the federal program.

Questioned Costs

Not determinable

Recommendation

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

We recommend that the Department review its existing policies procedures over the review and approval of claims paid and implement controls to ensure that all appropriate documentation to support claims paid is maintained.

View of Responsible Officials

The Department concurs. The division does have a procedure in place to require proper documentation for claims reimbursed. The two missing coversheets may have been mislaid. Staff have been reminded to securely attach and maintain all documentation supporting claims paid. As a secondary control, a signature block has been added to the coversheet to allow for the preparer and the supervisor to sign before being sent for processing. This block has been added beginning with the February submissions which will be processed in late March or early April 2020.

Anticipated Completion Date

April 30, 2020

Contact Person

Jayne Jackson, Finance Director – DLTSS

Status as of May 2021

Partially Resolved. The DHHS has a procedure in place to require proper documentation for claims reimbursed. The staff have also been reminded to securely attach and maintain all documentation supporting claims paid. As a secondary control, a signature block has been added to the coversheet to allow for the preparer and the supervisor to sign before being sent for processing. These controls will be monitored for efficacy prior to consideration of a full resolution.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-015

NH Department of Human Services

TANF Cluster (93.558, 93.714)

Federal Award Numbers: 2018G996115, 2019G996115

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions: Child Support Non-Cooperation

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-007

Statistically Valid Sample: No

Criteria

If the State agency responsible for administering the State plan 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% from the TANF assistance that would otherwise be provided to the family of the individual and (20 may deny the family any TANF assistance. Health and Human Services (HHS) may penalize a State for up to 5% of the SFAG for failure to substantially comply with this required State child support program (45 CFR sections 264.30 and 264.31)

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

During our testwork related to child support non-cooperation, we noted the following:

A. For 2 of 40 participants selected for testwork, while the participant had been correctly sanctioned due to non-cooperation, there was documentation maintained within the file that the participant's sanction should have been lifted due to future cooperation. While the sanction was authorized to be lifted, New Heights, the eligibility maintenance system, was not properly updated and the sanction remained in effect, resulting in an inappropriate reduction of the participant's benefits.

B. For 6 of 40 participants selected for testwork, there was insufficient support maintained within the file to document that the participant had not been cooperating and as a result, it was unclear if the participant's benefits should have been sanctioned.

C. For 1 of 40 participants selected for testwork, the participant's case file indicated that the participant was issued a letter of non-compliance in July 2017, however the participant was not sanctioned until May 2019. It was unclear why the sanction was not imposed as of July 2017 and if the participant's benefit payment was accurate during this time period.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the beginning and termination of sanction periods related to child support non-cooperation and ensuring that the New Heights system is updated timely to reflect the correct sanction dates.

Effect

The effect of the condition found is that participant benefit payments may not be accurately paid and could result in unallowable costs charged to the federal program.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the documentation used to support the beginning and termination of sanction periods is maintained and that those dates are accurately reflected within the New Heights System.

View of Responsible Officials

We partially concur. While there are errors regarding insufficient documentation for child support sanctions, we believe there are sufficient processes in place to ensure documentation is maintained to support these sanctions.

We believe that additional communication needs to be given to all staff to reiterate these procedures.

We will notify all supervisors in an email explaining the errors that were found during the audit. We will require the supervisors to include these topics at their next staff meeting.

Individual emails will be sent to the staff involved with the errors for additional guidance.

We have also added an additional slide in our Power Point presentation for new staff.

Anticipated Completion Date

June 1, 2020

Contact Person

Colleen McKinlay, Program Specialist IV

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-012

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-016

NH Department of Human Services

TANF Cluster (93.558, 93.714)

Federal Award Numbers: 2018G996115, 2019G996115

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions: Lack of Child Care for Single Custodial Parent of Child under Age Six

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-007

Statistically Valid Sample: No

Criteria

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.

Condition

During our testwork related to sanctions imposed against single custodial parents caring for a child under the age of 6, we noted the following:

A. For 2 of 40 participants selected for testwork, there was insufficient documentation in the file to support that the participants should have been sanctioned. As such we were unable to conclude if the sanction was appropriate.

B. For 2 of 40 participants selected for testwork, the participant had been appropriately sanctioned for reasons other than inability to find child care. However, subsequently the sanction had been lifted but there was insufficient documentation to support that it was appropriate that the sanction had been lifted.

C. For 6 of 40 participants selected for testwork, the participants had been incorrectly sanctioned for reasons other than inability to find child care and as such their benefits were inappropriately reduced.

D. For 2 of 40 participants selected for testwork, the participants were appropriately sanctioned for reasons other than inability to find child care, however the sanction when applied to the participants benefit was not applied timely.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

E. For 2 of 40 participants selected for testwork, the participant was appropriately sanctioned for reasons other than inability to find child care, however the period of time in which the sanction was applied to the participant's benefits was not accurate based upon the beginning and termination dates documented within the case file.

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the beginning and termination of sanction periods, that the cause of the sanction is appropriate and ensuring that the New Heights system is updated timely to reflect the correct sanction dates.

Effect

The effect of the condition found is that participant benefit payments may not be accurately paid and could result in unallowable costs charged to the federal program.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the documentation used to support the beginning and termination of sanction periods is maintained and that those dates are accurately reflected within the New Heights System. In addition, controls and procedures should be implemented to ensure that sanctions are properly reviewed and approved prior to implementation to ensure that that the sanction being imposed is valid.

View of Responsible Officials

We partially concur. While there are errors regarding sanctions applied to participants benefits, we believe they are isolated occurrences. There are sufficient procedures in place to ensure that proper documentation regarding these sanctions is maintained.

Although there are processes in place, additional communication will occur.

We will notify all supervisors in an email explaining the errors that were found during the audit. We will require the supervisors to include these topics at their next staff meeting.

Individual emails will be sent to the staff involved with the errors for additional guidance.

We have also added an additional slide in our Power Point presentation for new staff

Anticipated Completion Date:

June 1, 2020

Contact Person:

Colleen McKinlay, Program Specialist IV

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-013

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-017

NH Department of Human Services

TANF Cluster (93.558, 93.714)

Federal Award Numbers: 2018G996115, 2019G996115

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions: Penalty for Failure to Comply with Work Verification Plan

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-009

Statistically Valid Sample: No

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 so doing, 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).

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

During our testwork related to the compliance with the State's work verification plan we noted the following:

A. For 10 of 40 participants selected for testwork, the documentation to support the hours worked for each participant did not agree to the New Height's system and as a result, the hours for each participant were under reported.

B. For 1 of 40 participants selected for testwork, the participant's work hours were auto populated within the New Heights system and were not properly adjusted once supporting documentation such as paystubs were received. As a result, the participant's work hours were over reported.

C. For 3 of 40 participants selected for testwork, there was insufficient documentation to support the number of hours worked within the New Heights system for each participant.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the number of work hours reported by participants and that the hours worked is accurately reported within the New Heights system.

Effect

The effect of the condition found is that the State may not be in compliance with its work verification plan and would not be able to identify the noncompliance timely.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the documentation used to support participant workhours is maintained and that the hours reported agree to the documented hours worked and are accurately reflected within the New Heights System.

View of Responsible Officials

We concur with the findings listed above. The following actions to mitigate future issues have been put in place.

- We have redesigned the WPS Activity Tracking Sheet. This will be implemented for the month of March 2020.
- A memo was created highlighting the errors found during the audit reminding all staff to follow procedures to prevent errors.
- We will be adding additional slides in the Quality Assurance Section of the Core Power Point Training for new staff.

Anticipated Completion Date

June 30, 2020

Contact Person

Kim Runion, Bureau Chief

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-014

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-018

NH Department of Human Services

Community Services Block Grant (93.569)

Federal Award Numbers: G-18B1NHCOSR, G-1901NHCOSR

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a)
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b))

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Community Services Block Grant program, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with local entities to provide services to eligible participants. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for each of the 2 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

   a. Federal award date

   b. Federal Award Identification Number (FAIN)

   c. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

   d. Identification of whether the award is research and development (R&D)

B. The Department was unable to provide support that a programmatic risk assessment was completed for each of the 2 subrecipients selected for testwork as required under the Department's Subrecipient Monitoring Policy dated March 5, 2018. As a result, it was unclear

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

what type of during the award monitoring was required to be performed over the 2 subrecipients selected for testwork.

Cause

The cause of the condition found was primarily due to:

- Insufficient controls and procedures to ensure that all required federal award information has been communicated to subrecipients. As this program does not allow for an indirect cost reimbursement and is not R&D, the Department was unaware that it was required to formally communicate that these items are not applicable to the federal award.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. There does not appear to be sufficient controls and procedures to ensure that the required risk assessments have been performed or if they are performed that they are retained and used to support the subrecipient monitoring process.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b).

Questioned Costs

None

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a) and 2 CFR section 200.331(b). This would include implementing controls and procedures to ensure that t:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient.

View of Responsible Officials

We concur.

1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.
2. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.
3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

Anticipated Completion Date

June 30, 2020

Contact Person

Melissa Kelleher, Grants Administrator

Status as of May 2021

Partially resolved. The DHHS considers all of the subrecipient monitoring findings to be fully resolved through Department policy and Department wide implementation. However, it should be noted full compliance will not be achieved for one to two contract cycles due to timing.

The Department began addressing the issue of Subrecipient Monitoring issue in June 2017 when the first Grants Administrator was hired.

The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February and September 2018, training over one hundred forty-six staff. However, only brand new procurements utilized this policy during the initial roll out of this policy.

The Department hired a new Grants Administrator in May 2019. The Subrecipient Monitoring policy rolled out to all procurements, including sole source, amendments, and renewals, effective July 1, 2020. The Contracts Unit received specialized subrecipient monitoring training on May 13 and October 28, 2020. Department wide training to all staff occurred weekly between September 8 and November 3, 2020. The Grants Office provided additional targeted training to Program staff through team meetings. Over one hundred fifty Program and Finance staff received training. Annual training will be held in September each year. Refresher training or training for new staff is available upon request from the Grants Office.

Additionally, the Grants Office website launched in June 2020, which offers Program, Finance, and Contracts Unit staff access to the all the Grants Office policies, including the subrecipient monitoring policy, as well as training modules, slides, and tools.

The Grants Office works closely with the Contracts Unit to ensure compliance with the Subrecipient Monitoring policy.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-019

NH Department of Human Services

Social Services Block Grant (93.667)

Federal Award Numbers: 2017G992342, 2018G992342, 2019G992342

Federal Award Year: 2017, 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Social Services Block Grant program, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with local entities to provide a variety of services, including meals, adult day services and comprehensive family services. On a periodic basis, the subrecipient submits a request for reimbursement for the services that are rendered which is reviewed and approved by the Department prior to payment. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for all 6 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

a. Federal award date

b. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

c. Identification of whether the award is research and development (R&D)

B. The Department did not perform a risk assessment for each of the 6 subrecipients selected for testwork. As a result, it was unclear what type of during the award monitoring was required to be performed over the 6 subrecipients selected for testwork.

D. The Department's during the award monitoring is primarily composed of the Department's review process related to requests for reimbursement submitted by the subrecipient. The Department reviews the invoices prior to payment indicating that the invoice appears reasonable and allowable under federal regulations. For each of the 6 subrecipients selected for testwork, the Department was unable to provide documentation to support that it had performed additional monitoring procedures over its subrecipients to address whether or not the subrecipient had sufficient documentation to support that the costs requested for reimbursement were allowable or whether or not the subrecipient had determined participant eligibility accurately if eligibility requirements were applicable. As the Department does not have a formal subrecipient monitoring policy that outlines the types and frequency of monitoring activities to be performed and there was no risk assessment performed for these subrecipients, it was unclear whether or not the exclusion of these types of monitoring activities was appropriate.

Cause

The cause of the condition found was primarily due to:

- Insufficient controls and procedures to ensure that all required federal award information has been communicated to subrecipients. As this program does not allow for an indirect cost reimbursement and is not R&D, the Department was unaware that it was required to formally communicate that these items are not applicable to the federal award.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. For each of the 6 subrecipient selected for testwork, the contracts were entered into prior to the date in which the Department's risk assessment policy went into effect in June of 2018.
- The Department currently does not have a documented subrecipient monitoring policy that outlines the types and frequency of monitoring procedures that will be performed over this federal program and how those monitoring procedures will be documented.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b). In addition, as there is no documented subrecipient monitoring policy for this program, fiscal and programmatic monitoring requirements that the subrecipient is required to comply with may not be appropriately or timely monitored for compliance by the Department, resulting in potential unallowable costs being charged to the program.

Questioned Costs

Not determinable

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Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251. This would include implementing controls and procedures to ensure that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. As a result of the risk assessment performed, monitoring activities are performed over subrecipients to ensure compliance with the terms and conditions of its subrecipient grant agreement. The procedures that are to be performed based upon the assessed level for of risk should be outlined in a documented subrecipient monitoring policy that is specific to this program. The subrecipient monitoring policy should document the types and frequency of monitoring activities that will be performed.

View of Responsible Officials

We concur.

1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.
2. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.
3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

Anticipated Completion Date

June 30, 2020

Contact Person

Melissa Kelleher, Grants Administrator

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-019

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-020

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 1805NH5ADM, 1905NH5ADM, 1805NHIMPL, 1905NHIMP

Federal Award Years: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provision: Utilization Control and Program Integrity

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: 2018-002

Statistically Valid Sample: No

Criteria

The State Plan must provide methods and procedures to safeguard against unnecessary utilization of care and services. In addition, the State must have (1) methods of determining 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).

Per 2 CFR 200.303, non-federal entities must establish and maintain effective internal control over federal awards that provide 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 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. In accordance with the approved contract, the QIO was required to perform 8,000 reviews with half being focused on the prior fiscal years and the remaining portion for 2019 claims.

The Department does not have procedures in place to monitor that the conclusions the QIO reached in their review, with the exception of denials, were accurate based on the claims information reviewed. The QIO did not provide sufficient documentation to the Department for acceptances. For 3 of 65 claim denials selected for testwork, the Department was unable to provide the documentation for the denial.

Completeness was monitored through the monthly invoice approval process which included cumulative totals of claims reviewed. However, the QIO did not meet their required claim review target and did not review cases throughout state fiscal year 2019. The Department was unable to determine the exact number of cases reviewed but estimated 4,000 cases were outstanding as of June 30, 2019, the end of the contract period with the QIO. Documentation from the QIO was not available.

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Cause

The cause of the condition found was primarily due to the QIO's inability to provide the Department with the documentation required for them to review the work performed.

Effect

The Department is unable to validate the QIO is performing adequate utilization reviews.

Questioned Costs

None

Recommendation

The Department has represented that these utilization reviews are no longer outsourced to a QIO. Effective July 1, 2019, the utilization reviews will be performed by the Department. The Department needs to ensure adequate controls and processes have been established to address utilization methodology execution and review of results.

View of Responsible Officials

We concur with the finding. Program Integrity has made the decision to bring the QIO function to perform utilization reviews in house. To that end, PIU is actively working on an internal process for the Department to perform utilization reviews going forward. PIU is in the process of writing policies and procedures to guide the in-house QIO function. This includes developing a process and methodology to perform utilization reviews. Further, the Department created two staff positions in the State Fiscal Year 20/21 budget to perform the quality reviews. DHHS is in the process of obtaining access to a system that will assist in determining whether a paid claim was medically necessary and accurate. Until this function is started, claim universe reports are being run monthly and stored for sampling. It is the intent of the Program Integrity unit to ensure all months are sampled and reviewed from the end of the QIO contract.

Anticipated Completion Date

December 31, 2020

Contact Person

Karen Carleton, RN PIU Administrator

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-021

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Finding Reference Number: 2019-021

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 1805NH5ADM, 1905NH5ADM, 1805NHIMPL, 1905NHIMP

Federal Award Years: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provision: Provider Eligibility (Screening and Enrollment)

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

In order to receive Medicaid payments, providers must: (1) be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106). Medicaid managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H.

Per 2 CFR 200.303, non-federal entities must establish and maintain effective internal control over federal awards that provide 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 Department assigns risks to each provider based on their provider type. All new provider enrollments and moderate and high risk revalidations are reviewed and approved by the Department of Health and Human Services (the Department). However, for limited risk revalidations, the Department has outsourced this service to the Department's Medicaid Management Information System fiscal agent (Fiscal Agent). The Department holds at least bi-weekly meetings with the fiscal agent to discuss issues noted with enrollment, revalidation, trends noted, etc. In addition, the Department has hired the Fiscal Agent to perform a quality assurance review over all provider new and revalidations prior to the notification that they are an eligible provider for State of New Hampshire services to address the accuracy of enrollment. During the year the Department noted issues and inconsistencies in the revalidations which were performed by the Fiscal Agent and decided as of July 1, 2019 all new enrollments and revalidations are reviewed and approved by the Department before the Fiscal Agent completes the application or revalidation process.

During our test work over the above monitoring controls, the Department provided minutes of the meetings that demonstrated review of enrollment and revalidation processes and discussion of resulting trends and efficiencies on a consistent basis. The feedback from the Fiscal Agent regarding the quality

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assurance process is less formalized and more ad-hoc in nature not allowing for audit evidence throughout the fiscal year of the accuracy monitoring control.

During our testwork over provider eligibility we noted:

(a) For 6 of 105 providers selected for testwork, there was a discrepancy between the risk noted in the MMIS and the risk per the Department's "Provider application fee and type of screening required for NH Medicaid Program" (risk chart) file.

   a. For 4 of 6, the provider was coded as a Moderate risk provider per the risk chart, but was coded limited risk in MMIS. For these 4 provider, we noted the risk per the risk chart was incorrect. As MMIS was correct, the procedures performed were in accordance with policy.

   b. For 1 of 6, the provider was coded a Limited risk provider in MMIS although the provider was coded moderate risk per the risk chart. The Department performed the review as if the provider was Moderate, however, the coded risk in MMIS was inaccurate.

   c. For 1 of 6, this provider was coded a moderate risk provider in MMIS, but per the risk chart should have been a limited risk provider. Moderate procedures were performed.

(b) For 41 of 105 providers selected for testwork, the Department did not revalidate the provider within the required 5 year timeframe. Timeframes ranged from 5.1 to 6.9 years.

(c) For 3 of 105 providers selected for testwork, the providers did not have a most recent revalidation date completed within MMIS. The Department noted the revalidation was still being investigated due to issues noted on the license. The documentation reflected an outstanding license, however, there didn't appear to be an update related to the investigations in over 9 months. Additionally, as the provider has not yet been revalidated, the provider did not have a risk assigned in MMIS.

Cause

With regard to the monitoring controls, the condition noted is due to lack of a formalized process to receive information on a regular basis from the Fiscal Agent resulting in the control not being effectively designed. The cause of the noncompliance conditions found was primarily due to the following:

(a) inconsistent documentation maintained related to provider risk assignment, and;

(b) System updates causing delays in the revalidation process.

Effect

The effect of the condition found is that the Department does not revalidate providers timely and does not have steps to ensure provider revalidates are documented accurately.

Questioned Costs

None

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Recommendation

The Department has represented that review and approval are required of the limited risk revalidations and new provider enrollment effective July 1, 2019. For the monitoring control, the Department should implement a more formal process for receiving quality assurance feedback from the Fiscal Agent such that the Department has adequate documentation on a defined periodic basis that can be reviewed.

With regard to compliance, the Department should consistently apply provider risk as noted per the risk chart and implement procedures to ensure provider revalidations are completed timely.

View of Responsible Officials

We concur with the finding. DHHS knew that we were behind in establishing the system processes for revalidation. DHHS established a team of DHHS staff, MMIS, DoIT staff, and fiscal agent staff to establish a project plan and implementation of the revalidation process. This requires system updates, new provider revalidation application, and provider notification. DHHS also reached out to CMS for technical assistance to perform revalidations including the electronic data exchange of duel providers that are enrolled with Medicare and Medicaid to expect the revalidation screening process which allowed DHHS to screen thousands of providers quickly and efficiently expediting the process. DHHS and the fiscal agent are actively performing revalidation monthly and the process is being reviewed and updated as needed to ensure all revalidations are done correctly and timely.

DHHS will ensure current procedures cover all required regulations for provider enrollment. DHHS will ensure there is documentation of our periodic, systematic oversight of the fiscal agent's quality review process.

Anticipated Completion Date

March 2021

Contact Person

Francesca Hennessy

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-022

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-022

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 1805NH5ADM, 1905NH5ADM, 1805NHIMPL, 1905NHIMP

Federal Award Years: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Eligibility

Type of Finding: Significant Deficiency and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Eligibility for Medicaid can be broadly grouped into determinations based on Modified Adjusted Gross Income (MAGI-based determination) and non-MAGI determinations (e.g. Aged, Blind and Disabled). Auditors should test eligibility determinations made for fee-for-service and managed care beneficiaries. The auditors should re-determine eligibility to ensure beneficiaries qualify for the Medicaid program and are in the appropriate enrollment category.

Condition

The Division of Medicaid Services (DMS), with the Department of Health and Human Services (DHHS) administers the Medicaid program. The Bureau of Family Assistance (BFA) is responsible for determining eligibility for non-MAGI groups as well as MAGI groups according to New Hampshire policy.

One hundred sixty MAGI and non-MAGI participants were selected for review, who fell into four main eligibility types: fee for service, managed care, waiver, and nursing home. During the audit, the following was noted:

(a) For 1 of 40 managed care participants, the State did not take steps to ensure the participant was a New Hampshire resident and the participants income verification was not verified via the verify current income (VCI) match (<10%) or New Hampshire employment Security (NHES) verification. We noted that pursuant to NH's CMS approved MAGI-based verification plan, residency is a "self-attest" factor of eligibility for New Hampshire Medicaid, however, when this participant applied they indicated they would be moving to New Hampshire and never attested they had in fact moved to New Hampshire and the application for funding showed they attested to not living in New Hampshire. In addition the participant failed the data match for income. However when updated income information was received, the DHHS trainee case worker did not properly process the case and the trainee's supervisor did not review, correct, and confirm the case. The New HEIGHTS system enrolled the participant. DHHS requires the case workers to review and uncheck the eligibility notation applied by the system. In this case, the case worker inadvertently did not uncheck the MAGI-eligible notation and the person received Medicaid benefits for a period of approximately a year without appropriate income support. The

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Department's control to have all trainee cases reviewed and confirmed by a supervisor was not conducted and failed to prevent the beneficiary from becoming enrolled.

(b) For 96 of 160 participants, (21 of 40 fee for service, 6 of 40 managed care, 30 of 40 waiver, and 39 of 40 nursing home) the Department was unable to provide support to verify that the participants social security income had been matched, via a Bendex match, with the Social Security Administration (SSA) because the SSA has not provided New Hampshire authorization to share that information. Therefore validation that the participants were deemed eligible by the SSA was not able to be determined.

Cause

The cause of the condition found under paragraph (a) was primarily due to a trainee not properly processing the case combined with improper oversight of the trainee's case, i.e., the supervisor not correcting and confirming the case before processing is an ineffective control.

The cause of the condition under paragraph (b) is that the SSA has not issued a Redisclosure Memorandum for the CMS Single Audit. Without the Memorandum, states do not have permission to disclose SSA data to any auditors. There is no control failure attached to this compliance issue as there are conflicting federal regulations that prevented the information from being shared.

Effect

The Department is providing Medicaid benefits to participants who may be ineligible for the program.

Questioned Costs

Not determinable

Recommendation

The Department should implement a process to ensure all participants meet all eligibility requirements before being awarded benefits. In addition, the Department should obtain approval from SSA to share data with the single auditor or work with SSA to provide correspondence to the single auditor confirming eligibility for individuals during the audit process.

View of Responsible Officials

We concur.

This was an isolated incident which has been discussed thoroughly with the supervisor, both via email and over the phone. The supervisor went over the error with the trainee. Management will review other procedures performed at other District Office to determine whether other processes should be implemented to ensure supervisors know the cases completed by trainees and verify they have reviewed the cases to ensure accurate eligibility determinations.

However, the Department would point out that there was no issue with the self-attestation of residency. Federal regulations permit states to choose to accept self-attestation for residency of the individual's information for all factors of eligibility except where otherwise required by law (e.g. citizenship and immigration status). Self-attestation can be accepted from the individual applying, an adult who is in the applicant's household, an authorized representative, or if the individual is a minor or incapacitated, someone acting responsibly for the individual. States must accept self-attestation of pregnancy unless the state has information that is not reasonably compatible with such attestation (see Self-attestation (§435.945)).

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The Department has contacted the Social Security Administration (SSA) and has requested written permission from SSA to authorize KPMG access for the Single Audit. The Department of Health and Human Services is governed by the Computer Match Agreement (CMA) it has executed with SSA, which governs the safeguarding of its data. This is an open request with SSA and the DHHS will continue to follow-up until a written decision is received from the SSA.

Anticipated Completion Date

September 30, 2020

Contact Person

Debra Sorli, Bureau Chief, Bureau of Family Assistance

Elizabeth Gillett, Deputy Information Security Officer

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-023

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Finding Reference Number: 2019-023

NH Department of Human Services

Opioid STR (93.788)

Federal Award Numbers: 3H79T1081685-01, 6H79T1081685-01M003, 1H79T1080246-01

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

Under the State Targeted Response to the Opioid Crisis (SOR) program, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with third parties to provide evaluation and treatment services to individuals with an opioid substance abuse disorder. On a monthly basis, the subrecipient submits a request for reimbursement for services that were rendered. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for all 5 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

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a. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

b. Identification of whether the award is research and development (R&D)

c. The federal award date

B. We were unable to obtain documentation to support that a risk assessment had been performed for each of the 5 subrecipients selected for testwork. As a result, it was unclear what type of during the award monitoring was required to be performed over the 5 subrecipients selected for testwork.

E. The Department's during the award monitoring is primarily composed of the Department's review process over monthly invoices submitted for reimbursement by the subrecipient. The Department reviews the invoices prior to payment along with documentation that is submitted by the subrecipient to support the costs that are being claimed for reimbursement. Under this program, only individuals that have an opioid substance abuse disorder can receive services. The determination of this is performed at the subrecipient level. As part of our testwork, for each of the 5 subrecipients selected for testwork we were unable to identify any procedures that the Department had performed to monitor the eligibility assessment performed by the subrecipient to ensure that the services that were being claimed for reimbursement were only for services rendered on behalf of eligible participants. As the Department does not have a formal subrecipient monitoring policy that outlines the types and frequency of monitoring activities to be performed and there was no risk assessment performed for these subrecipients, it was unclear whether or not the exclusion of these types of monitoring activities was appropriate.

Cause

The cause of the condition found was primarily due to:

- Insufficient controls and procedures to ensure that all required federal award information has been communicated to subrecipients. As this program does not allow for an indirect cost reimbursement and is not R&D, the Department was unaware that it was required to formally communicate that these items are not applicable to the federal award.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. There does not appear to be sufficient controls and procedures to ensure that the required risk assessments have been performed or if they are performed that they are retained and used to support the subrecipient monitoring process.
- The Department currently does not have a documented subrecipient monitoring policy that outlines the types and frequency of monitoring procedures that will be performed over this federal program and how those monitoring procedures will be documented.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b). In addition, as there is no documented subrecipient monitoring policy for this program, fiscal and programmatic monitoring requirements that the subrecipient is required to comply with may not be appropriately or timely monitored for compliance by the Department, resulting in potential unallowable costs being charged to the program.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Questioned Costs

Not determinable

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251. This would include implementing controls and procedures to ensure that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. As a result of the risk assessment performed, monitoring activities are performed over subrecipients to ensure compliance with the terms and conditions of its subrecipient grant agreement. The procedures that are to be performed based upon the assessed level for of risk should be outlined in a documented subrecipient monitoring policy that is specific to this program. The subrecipient monitoring policy should document the types and frequency of monitoring activities that will be performed.

View of Responsible Officials

We concur.

1. The Department has developed the attached spreadsheet to address the required notification under 2 CFR 200.331. This spreadsheet will be attached to procurements with Federal Funding, and will be implemented in Spring 2020.

2 and 3a. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.

The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

3b. We concur and that formal process to monitor sub-recipients was not in place during SFY 19. The department did conduct site reviews on several of the State Opioid Response (SOR) providers during the subsequent period, during which documentation showing a diagnosis of “opioid substance abuse disorder” was reviewed. It was determined by the review team that only individuals with this specific diagnosis were treated with SOR funding. The SOR Executive Director is working with the DHHS Grant Coordinator to establish specific procedures to document the monitoring of future site visits to be completed in the following months.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Anticipated Completion Date

1. June 30, 2020
2. June 30, 2020

3a. June 30, 2020

3b. September 1, 2020

Contact Person

Melissa Kelleher, Grants Administrator

Jayne Jackson, DBH Finance Director

Status as of May 2021

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-025

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Finding Reference Number: 2019-024

NH Department of Safety

Disaster Grants –Public Assistance (Presidentially Declared Disasters) (97.036)

Federal Award Numbers: FEMA-4329-DR, FEMA-4355-DR, FEMA-4370-DR, FEMA-4371-DR

Federal Award Year: 2017, 2018

U.S. Department of Homeland Security

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the pass-through entity as required by 2 CFR section 200.521.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Disaster Grants – Public Assistance program, the New Hampshire Department of Public Safety (the Department) enters into grant agreements with eligible local entities for disaster related projects that have been approved for funding under the federal disaster declaration. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through an award package. Per review of the award package, for all 20 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

   a. Federal Award Identification Number (FAIN)

   b. Subaward period of performance start and end date

   c. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

   d. Identification of whether the award is R&D

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e. Appropriate terms and conditions concerning the close out of the subaward

B. The Department did not perform a risk assessment for each of the 20 subrecipients selected for testwork.

C. The Department did not monitor to determine whether or not each of the 20 subrecipients selected for testwork had a recent audit performed in accordance with the Uniform Guidance in order to obtain the issued report and issue timely management decision letters if applicable.

Cause

The cause of the condition found was primarily due to insufficient controls in place during the audit period as the Department was in the process of revising their existing policies and procedures related to subrecipient monitoring. Due to employee turnover within the Department, existing policies and procedures were being reviewed and revisions being made in order to ensure that the policies in effect over subrecipient monitoring were consistent with what was required under federal regulations.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251. This would include implementing controls and procedures to ensure that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. All subrecipients are reviewed annually to determine if the subrecipient has had an annual uniform guidance audit, and that those audit reports are obtained and reviewed and a management decision letter is issued if required.

View of Responsible Officials

We concur

<u>Condition A</u>

In order to maintain transparency within the Public Assistance (PA) Grant Program, it is necessary to provide all of the award information required in 2 C.F.R. § 200.331 in the award notification email that the Recipient of the grant (NH Homeland Security and Emergency Management – HSEM) send to the Subrecipient.

HSEM previously had no full or part time staff dedicated to the management of the PA Grant program prior to CY 2018. Since that time, one full time and one part time staff member have been hired and

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

trained to maintain the program. These staff members have been methodically overhauling the management of the grant in order to become more compliant.

Prior to this audit, HSEM created an award notification template that addressed the majority of the elements of information required by 2 C.F.R. § 200.331. This most recent audit identified elements that were missing from this award letter template. Since being notified of this finding, HSEM staff have added the required information to the award notification package and will be implementing the changes with all award letters moving forward.

Conditions B and C

In order to ensure that proper oversight of the PA Grant is completed to prevent potential noncompliance of Applicants, it is necessary to complete the required Subrecipient Risk Assessments and Subrecipient Monitoring. This process allows the Recipient to identify areas of the grant where Subrecipients are experiencing issues and provide technical assistance to ensure grant compliance is maintained.

Prior to the hire of dedicated PA Program staff at HSEM, risk assessments and Subrecipient monitoring were not completed consistently. Following these hires, HSEM staff created a new process to complete Subrecipient risk assessments and monitoring to move the program into compliance in this area. At the time of the SFY 2019 audit, HSEM had already completed restructuring of its risk assessment procedures and had begun applying them retroactively to all applicants under four previous disasters declared between CYs 2017-2018, and had just started using the new process on a disaster declared in CY 2019 (declaration date outside of SFY 2019 that was audited). Additionally, HSEM staff was completing an overhaul of the Subrecipient monitoring procedures to accompany the new risk assessment, but had not implemented the procedures at the time of the audit.

HSEM intends to complete the last phase of Subrecipient monitoring procedure development within SFY 2020 (low and medium risk Subrecipient procedures are complete and high risk procedures are in progress). A method for tracking the Subrecipient monitoring has been created for low and medium risk Subrecipients, and an online form is in progress to track the in person site visits that will take place for high risk Subrecipients.

The use of these updated risk assessment and Subrecipient Monitoring procedures, along with new tracking mechanisms, will rectify the findings of this audit report. Additionally, HSEM PA staff will work with the State Business Office to create procedures to issue timely management decision letters, if applicable, to Subrecipients with recent audit findings that will impact their performance in the PA Program. This new procedure will go into effect immediately after it is completed and approved.

Anticipated Completion Date

Condition A – Completed

Conditions B and C – June 30, 2020

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Contact Person

Vanesa Urango, State Public Assistance Coordinator

Meghan Wells, Public Assistance Program Assistant II

Fallon Reed, State Coordinating Officer Planning Section Chief

Status as of May 2021

Condition A: Resolved

Condition B: Partially resolved. HSEM Public Assistance Risk Assessment procedures outlined in the CAP have been implemented. HSEM continues to complete retroactive Risk Assessments – completion of retroactive risk assessments was delayed due to reallocation of resources to the statewide COVID-19 response. Since submitting the SFY 19 State Audit – HSEM Corrective Action Plan, DR-4457 and DR-4516 (declared August 2019 and April 2020, respectively) have complied with HSEM's updated Risk Assessment procedures. Given the unpredictability of the COVID-19 pandemic and the continued and projected need for staff time to be reassigned to response and recovery, we expect this Corrective Action to be fully resolved by 6/30/21.

Condition C: Partially resolved. HSEM has developed subrecipient monitoring procedures. At this time, Public Assistance subrecipient monitoring procedures have been implemented for low and medium risk subrecipients. For the small percentage of high risk subrecipients, monitoring procedures (i.e. in person meetings) have not been possible due to COVID-19. We are continuing to explore options to complete high risk subrecipient monitoring in the COVID-19 environment. We expect this Corrective Action to be fully resolved by 6/30/21.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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

Status as of May 2021:
Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-021

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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.

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.

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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.

Anticipated Completion Date:
March 8, 2019

Contact Person:
Jaime Powers, Clinical Services Unit Administrator

Status as of May 2021:
Partially Resolved: The independent peer review occurred during May and June 2019. The Department's management control is a contract requirement for the annual independent peer review to be completed. DHHS has also added the requirement of the review and the report in the work plan of its vendor.
In addition, BDAS has added a secondary control requiring a State of New Hampshire contracted treatment provider to submit secondary copies of an accreditation report from any State of New

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Hampshire approved accredited clinical treatment provider that were accredited during said fiscal year. These controls will be monitored for efficacy prior to consideration of a full resolution.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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.

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

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Status as of May 2021:

Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-013

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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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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 non-cash contributions (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 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

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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.

Status as of May 2021:
Unresolved: The Department stands by its initial response it does not concur.

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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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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

Status as of May 2021:
Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-014.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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.

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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.

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.

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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 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.

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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

Status as of May 2021:
Partially Resolved.

Item #1: Number 3 of the attached Bridges account management form states the processes regarding the timely removal of user access rights to the application and related infrastructure for terminated employees.

Item #2: Number 3 of the attached Bridges account management form states the processes regarding the review of user access rights performed periodically.

Item #3: Numbers 1 and 2 of the attached Bridges account management form states the processes regarding the request and approval process relative to provisioning access for new and modified users.

Item #4: Number 3 of the attached Bridges account management form states the processes regarding the controls to validate users are appropriate to the datacenter and inappropriate access is removed in a timely manner.

Item #5: DCYF has completed a Continuity of Operations Plans. There is a section regarding the training and testing of the plan (pages 38 & 39). We are currently waiting to hear back from DCYF management about the training.

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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 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

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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. 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

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Contact Person:
Richelle Swanson, Finance Director

Status as of May 2021:
Partially Resolved: The procedures for completing the SF-425's have been updated to ensure timely completion.

The Department continues to revise and strengthen its procedures for SEFA reporting.

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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.

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

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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.

Status as of May 2021

Unresolved. The Department does not concur with the finding noting the CDC has concurred with the Department's position on related findings from the 2014 and 2015 audits.

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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.

Repeat Finding:
No

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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

Status as of May 2021:
Partially Resolved. Effective July 1, 2018, the Reporting and Analysis unit now is responsible for the FFR SF-425 submittals. The revised FFR SF-425 for the HPP program was completed on November 25, 2019. Attached is the revised report and the SF-425 procedure that was updated on August 6, 2019 by the Reporting and Analysis unit.

In addition, the SF-425 procedure now includes 2 internal controls to ensure the accuracy of all future reports. Once the Business Administrator has completed the report, it is then emailed or given to the Financial Manager for a final review to ensure the amounts reported are correct. If they agree, the Financial Manager will sign on the Authorized Certifying Official signature area (13b) of the report. As preparer of the report, the Business Administrator's contact information appears in the phone number (13c) & email (13d) sections of the report.

These controls will be monitored for efficacy prior to consideration of a full resolution.

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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. 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

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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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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

Status as of May 2021:
Partially Resolved. The Department continues to revise and strengthen its procedures for SEFA reporting.

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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.

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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

Status as of May 2021:
Partially Resolved. DHHS has developed a written overview of the attestation process, along with a frequently asked questions forms. These forms will be monitored for efficacy prior to consideration of a full resolution.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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.

Effect:
Noncompliance with the Annual Report Card, High School Graduation Rate special test federal regulations.

Questioned Costs:
None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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

Status as of March 2021:
Partially resolved. A similar finding was identified in the 2019 single audit report. See finding and views of responsible officials at 2020-009.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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:

- 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

- 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.

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

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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

Status as of May 2021:
Partially resolved. The Department of Administrative Services has improved existing policies and procedures as well as created entirely new policies and procedures to ensure complete compliance with 2 CFR 200.303 - Internal Controls. All existing internal policies and procedures were reviewed by cross referencing the following; 250.12 Storage and inventory management and all applicable USDA Food and Nutrition Service (FNS) policies and memorandums. Special attention was paid to Food Distribution policy memorandum FD-107 Donated Food Storage, Distribution and Product Dating and FNS Instruction 709-5 Rev.2 Shipment and Receipt of USDA Foods. An ongoing evaluation was conducted in the summer of 2019 to monitor the effectiveness of existing policies and procedures in relation to shipment receipts, storage operations and inventory management. Walkthroughs were conducted for warehouse operations and transaction process flow (including record maintenance). Two trainings were held for staff to go over risk management techniques and the updated warehouse based (shipment receipts, food storage and delivery) procedures. The newly improved procedures were tested for effectiveness and revealed a need for enhanced electronic filing, which was implemented immediately. Adding quarterly compliance reviews conducted by the Program Assistant and the Program Manager have ensured process accuracies. Product was tracked from order creation in the web based supply chain management system all the way through to delivery at the recipient agency. Unloading records, temperature logs, received receipts, and pick sheets were pulled to test the effectiveness of the trainings and procedures. Documents can be provided upon request.

In the fall of 2019 a separate evaluation of inventory control was conducted by a collaborative committee within the Department. A training of the existing ERP systems inventory control module was held with Surplus Food office staff to ensure the module was being utilized to the fullest extent. The inventory control module trainers presented the process flows for inventory control which allowed the committee to identify weaknesses that were mitigated by the Data Management unit. Although the committee ultimately concluded the inventory control module was insufficient for the wants of Surplus Food, the training did reveal necessary data reporting capabilities that were previously unknown.

The Department intended to have a newly acquired Inventory Management System implemented by spring of 2020. However, Covid-19 slowed the timeline of implementation. Though the new inventory management system will allow for multiple manual processes and records to be automated leading to

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increased operational efficiency the Department has worked within the current system to exceed compliance of the required functionality and accountability of USDA foods.

These controls will be monitored for efficacy prior to consideration of a full resolution.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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.
- 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.

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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

Contact Person:

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

Status as of May 2021

The agency has received notification this finding has been resolved; the resolution will be reflected in the FY21 report.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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.

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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

Contact Person:
Karen Carleton, RN
Program Integrity Administrator, Bureau of Improvement and Integrity

Status as of May 2021:
Partially Resolved: The contracted QIO has completed the utilization review of 4,000 cases up to May 2019 and completed the outstanding for 2018. The contract period with the contracted vendor ended June 30, 2019. DHHS will be implementing an internal utilization review as part of Program Integrity.

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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).

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

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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.

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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 May 2021:
Partially resolved. The DHHS considers all of the subrecipient monitoring findings to be fully resolved through Department policy and Department wide implementation. However, it should be noted full compliance will not be achieved for one to two contract cycles due to timing.

The Department began addressing the issue of Subrecipient Monitoring issue in June 2017 when the first Grants Administrator was hired.

The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February and September 2018, training over one hundred forty-six staff. However, only brand new procurements utilized this policy during the initial roll out of this policy.

The Department hired a new Grants Administrator in May 2019. The Subrecipient Monitoring policy rolled out to all procurements, including sole source, amendments, and renewals, effective July 1, 2020. The Contracts Unit received specialized subrecipient monitoring training on May 13 and October 28, 2020. Department wide training to all staff occurred weekly between September 8 and November 3, 2020. The Grants Office provided additional targeted training to Program staff through team meetings. Over one hundred fifty Program and Finance staff received training. Annual training will be

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

held in September each year. Refresher training or training for new staff is available upon request from the Grants Office.

Additionally, the Grants Office website launched in June 2020, which offers Program, Finance, and Contracts Unit staff access to the all the Grants Office policies, including the subrecipient monitoring policy, as well as training modules, slides, and tools.

The Grants Office works closely with the Contracts Unit to ensure compliance with the Subrecipient Monitoring policy.

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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.

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, 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:

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- 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.

Questioned Costs:
Not Determinable

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Whether Sampling Was Statistically Valid:
The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:
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
Mary Calise, Deputy Chief Financial Officer

Anticipated Completion Date:
December 2018

Status as of May 2021:

Partially resolved. Partially resolved. A similar finding was identified in the 2020 single audit report. See finding and views of responsible officials at 2020-009

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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 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

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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

Contact Person:
Hannah Glines, Administrator IV

Status as of May 2021:
Partially resolved. The Department reviewed its existing policies and procedures over the entire reconciliation process. We have provided additional training to understand the reconciliation process to the financial managers. We will have someone else, other than the preparer of the SEFA, review and sign off prior to submission

These controls will be monitored for efficacy prior to consideration of a full resolution.

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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 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.

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

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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:

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:

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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 May 2021:
Partially resolved. The process for completing a Form-170 has been reviewed. In August 2019, the Human Resources Department updated their existing procedures to ensure that all Form-170's are properly monitored and processed timely.

These controls will be monitored for efficacy prior to consideration of a full resolution.

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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:

- The Department does not have a formal policy or practice in place regarding conducting subrecipient risk assessment prior to entering into a subrecipient agreement.

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- 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:
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

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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 May 2021:
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.

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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 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.

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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 May 2021:
Partially resolved. The Department is continuing to work in conjunction with the Department of Administrative Services (DAS) to implement the NHFIRST grants module.

Currently, program specific architecture and automated application of indirect cost recoveries has been tested successfully. Automatic distribution of allocable costs is currently being developed with future work on budget to actual reporting and period of performance controls planned for the later part of calendar year 2021.

It is anticipated implementation of the initial architecture and indirect cost recoveries will take place in the later part of 2021 with additional elements of the design planned for implementation later next year.

The Department would also note the system development process has significantly clarified the Department's "traditional" methods of grant management resulting in improved SEFA reporting for fiscal year 2019. The DAS would note the Department's ability to reconcile grant expenditures with their internal management systems and the state's accounting system NH FIRST has significantly improved since the 2017 audit.

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These performance improvements in conjunction with strengthened SEFA validation procedures implemented by the DAS should maintain full compliance with regulations dictating the content and presentation of the Department's schedule of expenditures of federal awards while the system development process continues.

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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.

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

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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:
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.

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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.

Contact Person:
Steve Giovinelli; Federal Grants and Cost Allocation Administrator

Anticipated Completion Date:
September 30, 2018

Status as of May 2021:
Partially resolved. The Department has implemented the 'floor to sheet' process. The Department has encountered some challenges with the NH FIRST 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 2019, 2018, AND 2017

The Business Office works closely with DAS to ensure the items input into the NHFIRST system for surplus are received by DAS' Surplus Bureau. We do not believe it is a worthwhile use of our time to pursue this any further by running reports and reconciling the data against our internal data, this would be a 'no value added' exercise.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

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 2019, 2018, AND 2017

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

Katie Daley
Federal Surplus Manager

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2019, 2018, AND 2017

Status as of May 2021:
Partially resolved. The Department of Administrative Services has improved existing policies and procedures as well as created entirely new policies and procedures to ensure complete compliance with 2 CFR 200.303 - Internal Controls. All existing internal policies and procedures were reviewed by cross referencing the following; 250.12 Storage and inventory management and all applicable USDA Food and Nutrition Service (FNS) policies and memorandums. Special attention was paid to Food Distribution policy memorandum FD-107 Donated Food Storage, Distribution and Product Dating and FNS Instruction 709-5 Rev.2 Shipment and Receipt of USDA Foods. An ongoing evaluation was conducted in the summer of 2019 to monitor the effectiveness of existing policies and procedures in relation to shipment receipts, storage operations and inventory management. Walkthroughs were conducted for warehouse operations and transaction process flow (including record maintenance). Two trainings were held for staff to go over risk management techniques and the updated warehouse based (shipment receipts, food storage and delivery) procedures. The newly improved procedures were tested for effectiveness and revealed a need for enhanced electronic filing, which was implemented immediately. Adding quarterly compliance reviews conducted by the Program Assistant and the Program Manager have ensured process accuracies. Product was tracked from order creation in the web based supply chain management system all the way through to delivery at the recipient agency. Unloading records, temperature logs, received receipts, and pick sheets were pulled to test the effectiveness of the trainings and procedures. Documents can be provided upon request.

In the fall of 2019 a separate evaluation of inventory control was conducted by a collaborative committee within the Department. A training of the existing ERP systems inventory control module was held with Surplus Food office staff to ensure the module was being utilized to the fullest extent. The inventory control module trainers presented the process flows for inventory control which allowed the committee to identify weaknesses that were mitigated by the Data Management unit. Although the committee ultimately concluded the inventory control module was insufficient for the wants of Surplus Food, the training did reveal necessary data reporting capabilities that were previously unknown.

The Department intended to have a newly acquired Inventory Management System implemented by spring of 2020. However, Covid-19 slowed the timeline of implementation. Though the new inventory management system will allow for multiple manual processes and records to be automated leading to increased operational efficiency the Department has worked within the current system to exceed compliance of the required functionality and accountability of USDA foods.

State Agency Listing In Numerical Order

Appendix A-1

AGENCY NUMBER	AGENCY NAME
0202	Governor's Office for Emergency Relief and Recovery
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
2100	Professional Licensure and Certification, Office 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	Natural and Cultural Resources, 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
0202	Governor's Office for Emergency Relief and Recovery
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
3500	Natural and Cultural Resources, Department of
2100	Professional Licensure and Certification, Office of
8100	Public Utilities Commission
2300	Safety, Department of
3200	Secretary of State
9600	Transportation, Department of
4300	Veterans Home