

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE**

**FINANCIAL AUDIT REPORT
FOR THE NINE MONTHS ENDED
MARCH 31, 2014**

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE**

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This report can be accessed in its entirety on-line at:
<http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx>

* Comment suggests legislative action may be required

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE**

Reporting Entity And Scope

The reporting entity and scope of this audit and audit report is the New Hampshire Department of Justice for the nine months ended March 31, 2014.

The following report describes the financial activity of the Department of Justice, as it existed during the period under audit. Unless otherwise indicated, reference to the Department or DOJ refers to the Department of Justice.

Organization

The Department of Justice is under the executive direction of the Attorney General, a constitutional officer appointed by the Governor, with the consent of the Council, to a four-year term. The Attorney General nominates a Deputy Attorney General for appointment by the Governor, with the consent of the Council, also to a four-year term. Assistant Attorneys General are appointed by the Attorney General to five-year terms, subject to the approval of the Governor and Council.

The Department of Justice was established July 1, 1985 by RSA 21-M:2. In accordance with RSA 21-M:2, the Department is responsible for the following general functions:

- Advising and representing the State and its executive branch agencies in all civil legal matters,
- Supervising and conducting criminal investigations and prosecutions,
- Enforcing the various consumer protection and antitrust laws of the State, and
- Assisting and advising those agencies charged with protecting the environment and enforcing the environmental laws of the State.

In addition, RSA 611-B establishes the Office of Chief Medical Examiner and RSA 7:8-b establishes the Charitable Trust Unit within the Department.

At March 31, 2014, the Department employed 121 full-time and seven part-time employees.

Responsibilities

The Attorney General is the State's chief legal officer and chief law enforcement officer. The Attorney General acts as the State's lawyer in all civil and criminal cases in the Supreme Court, and is responsible for the general supervision of all criminal law enforcement in the State of New Hampshire.

The New Hampshire Department of Justice administers a variety of programs which provide service to all areas of New Hampshire's criminal justice system. These programs are supported by Federal, State, and dedicated funds.

There are two primary Divisions within the Office of the Attorney General.

- The Division of Public Protection includes the
 - Criminal Justice Bureau,
 - Consumer Protection Bureau, and the
 - Environmental Protection Bureau.
- The Division of Legal Counsel includes the
 - Civil Law Bureau and
 - Transportation and Construction Bureau.

Other functional units within the Department of Justice include the Charitable Trusts Unit; the Office of the Chief Medical Examiner; the Office of Victim/Witness Assistance; the Victims' Compensation Program; the Drug Task Force; Grants Management Unit; and the Medicaid Fraud Unit.

The duties of the Criminal Justice Bureau include the investigation and prosecution of various criminal cases throughout the State. The Criminal Justice Bureau prosecutes crimes punishable by death or imprisonment for life, and represents the State on all criminal appeals in the New Hampshire Supreme Court and the Federal courts. In addition, this Bureau conducts investigations and initiates prosecutions in cases involving drug trafficking, financial crime, cybercrime, public integrity crime, and Medicaid fraud. Criminal Justice Bureau attorneys also assist in investigations involving the use of deadly force by police officers in the line of duty.

The Consumer Protection and Antitrust Bureau acts to protect consumers from unfair or deceptive trade practices in New Hampshire. When a business does not provide services or products, misrepresents its services or products, or does not provide quality services or products, the Consumer Protection and Antitrust Bureau may question the business' practices and seek appropriate measures to remedy the situation on behalf of the State of New Hampshire. The Bureau's mission also includes consumer education and outreach.

The Environmental Protection Bureau prosecutes civil and criminal violations of New Hampshire's environmental laws and provides legal advice and representation to the State entities that oversee New Hampshire's environment and natural resources. Attorneys in the Environmental Protection Bureau work closely with the Department of Environmental Services, which is responsible for the administration of the State's environmental protection programs relating to air pollution, water pollution, and hazardous and solid waste management. Bureau attorneys also work closely with the Fish and Game Department, the agency responsible for administering many of the State's wildlife and natural resource programs, and with the Office of Energy and Planning which provides information, data, and guidance to assist decision makers on issues pertaining to development, land protection, energy use, and community planning.

The Civil Law Bureau serves as legal counsel to over 100 executive departments and agencies of State government under RSA 7 and RSA 21-M. The attorneys in the Civil Law Bureau represent the state and its agencies before State and Federal Courts and in administrative proceedings and also provide legal advice and opinions to executive branch agencies.

The Transportation and Construction Bureau primarily serves as legal counsel to the Department of Transportation and Department of Safety. The Bureau handles land acquisitions, eminent domain matters, personal injury and property damage claims, contract disputes, personnel issues and administrative appeals. The attorneys in the Transportation and Construction Bureau appear in State and Federal courts as well as at administrative proceedings on behalf of the State. In cases involving land acquisitions, the Bureau represents the State before the Board of Tax and Land Appeals and in Superior Court.

Funding

The financial activity of the Department of Justice is accounted for in the General, Highway, and Capital Projects Funds of the State of New Hampshire. A summary of the Department's revenues and expenditures for the nine months ended March 31, 2014 is shown in the following schedule.

Summary Of Revenues And Expenditures

Nine Months Ended March 31, 2014

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Unrestricted Revenues	\$ 336,188	\$ -0-	\$ -0-	\$ 336,188
Restricted Revenues	<u>10,470,725</u>	<u>-0-</u>	<u>-0-</u>	<u>10,470,725</u>
Total Revenues	<u>10,806,913</u>	<u>-0-</u>	<u>-0-</u>	<u>10,806,913</u>
Total Expenditures	<u>17,312,524</u>	<u>124,203</u>	<u>66,145</u>	<u>17,502,872</u>
Excess (Deficiency) Of Revenues				
Over (Under) Expenditures	<u>(\$6,505,611)</u>	<u>(\$124,203)</u>	<u>(\$66,145)</u>	<u>(\$6,695,959)</u>

Prior Audit

The most recent prior financial audit of the Department of Justice was for the nine months ended March 31, 2005. The appendix to this report on page 43 contains a summary of the current status of the observations contained in that report. The prior audit report can be accessed on-line at: http://www.gencourt.state.nh.us/LBA/AuditReports/FinancialReports/pdf/DOJ_2005_full.pdf.

Audit Objectives And Scope

The primary objective of our audit was to express an opinion on the fairness of the presentation of the financial statement of the Department of Justice for the nine months ended March 31, 2014. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we considered the effectiveness of the internal controls in place at the Department of Justice and tested the Department's compliance with certain provisions of applicable laws, rules, regulations, contracts, and grant agreements. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Revenues, and
- Expenditures.

Our report on internal control over financial reporting and on compliance and other matters, the related observations and recommendations, our independent auditor's report, and the financial statement of the Department of Justice are contained in the report that follows.



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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To The Fiscal Committee Of The General Court:

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 statement of the New Hampshire Department of Justice (Department) which comprises the Statement of Revenues and Expenditures - Governmental Funds for the nine months ended March 31, 2014, and the related notes to the financial statement and have issued our report thereon dated October 29, 2014, which was qualified as the financial statement does not constitute a complete financial presentation of the Department in the Governmental Funds.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies. We consider the deficiencies described in Observations No. 1 through No. 10 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Observations No. 11 through No. 13.

Department's Responses To Findings

The Department's responses to the findings identified in our audit are included with each reported finding. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Office Of Legislative Budget Assistant

October 29, 2014

Internal Control Comments
Significant Deficiencies

Observation No. 1: Establish Risk Assessment Policies And Procedures

Observation:

The Department does not have formal risk assessment policies, procedures, or processes in place for recognizing and responding to risks potentially affecting the Department's operations. While the Department has instituted a number of controls in response to risk, the Department's approach and response to risk has generally been without the benefit of a documented plan and approach.

A risk assessment process is intended to protect operations from, or minimize the effects of, foreseeable disruptions. The Department of Administrative Services, Internal Control Guide, states, in general, that if agencies are to avoid the hazards arising from internal and external risks, agency management must regularly identify the type of risks to which the agency is exposed, analyze the impact of such risks, and determine the measures to be taken in order to mitigate the risks.

Risk assessment is one of the five recognized components of internal control. An ongoing risk assessment process is essential to ensure an organization regularly reviews operations for, and reacts to, changes in conditions that could present a risk to financial and other operations. An ineffective risk assessment process can result in situations where an organization faces and is forced to react to an unanticipated vulnerability without proper planning.

Recommendation:

The Department should establish a formal risk assessment process, supported by policies and procedures, for recognizing and responding to risks potentially affecting the Department's operations.

Auditee Response:

We concur.

We will develop risk assessment policies and procedures within the next nine months.

Observation No. 2: Establish Accounts And Policies And Procedures For Financial Transactions

Observation:

During the nine months ended March 31, 2014, the Department's chart of accounts and related accounting policies and procedures did not accurately support and report certain significant aspects of its financial activities in the State's accounting system, NHFirst.

1. At March 31, 2014, the Department held approximately \$5.5 million of settlement and other monies from financial activity related to other Bureaus or functions of the Department in the Consumer Protection Bureau Consumer Protection Escrow Account, a State accounting system revolving account. Balances in the account included:
 - \$5,240,331 related to Mortgage Fraud,
 - \$145,692 related to the Environmental Bureau,
 - \$131,656 related to the Charitable Bureau, and
 - \$38,169 related to the Criminal Bureau.

A similar finding was included in the prior, 2005, audit report of the Department.

Subsequent to March 31, 2014, additional revolving accounts were established in certain Bureaus of the Department to separately hold balances previously commingled in the Consumer Protection Escrow Account.

2. The Department erroneously recorded \$970,407 of unrestricted settlement funds as restricted revenues during fiscal year 2011. This balance remained in the Consumer Protection Escrow Account at March 31, 2014. Because the funds were recorded as restricted revenues, the balance did not lapse at the end of 2011 and has been carried forward. Subsequent to auditor inquiry, the Department transferred the amount from the Consumer Protection Escrow Account to unrestricted General Fund revenue in June 2014.
3. The Department recorded \$194,896 of agency income revenue in a federal revenue account, reportedly because an agency income account had not been established within the Criminal Justice Bureau. The Department noted the absence of an agency income account within the Criminal Justice Bureau was a known budgeting error that remained uncorrected during the nine months ended March 31, 2014.
4. The Department recorded \$20,946 of federal revenues in an agency income revenue account reportedly because an appropriate federal revenue account had not been established.
5. The Department recorded \$1,163,525 of nonfederal grant expenditures to a federal grant expenditure account, reportedly because an appropriate nonfederal grant account had not been established.

The reliability and usefulness of an organization's financial statements and underlying accounting records are dependent upon the accuracy and completeness of properly classified financial transactions.

Recommendation:

The Department should perform a thorough review of its financial activities and its chart of accounts to ensure that it has the appropriate chart of account structure, and policies and procedures, to accurately account for and report its financial activity. The Department should request additional accounts and establish policies and procedures as appropriate.

The Department should review its use of revolving accounts for financial activity that could be accounted for in other budgeted State accounts. Revolving accounts should not be used to time the recognition of agency income to budgeted expenditures. Excess revenues should lapse at the close of the fiscal year, unless there is a statutory basis for carrying the funds forward.

Auditee Response:

We concur.

1. As stated this issue has been resolved. Separate escrow accounts have since been established to reflect the amounts in the correct bureau. Nonetheless, the process used prior to this change did distinguish between the various sources of funds. All funds received and deposited in the escrow account were identified by a specific Department case management number, which related to the case and associated bureau.
2. We agree with the observation. This was a highly unusual situation. Court orders approving consumer settlements routinely contain language restricting the use of the funds to consumer protection purposes. For some reason, the order for this particular settlement order did not contain that language and that omission went unnoticed until it was brought to the Department's attention.
- 3,4,5 The Department continuously reviews the chart of accounts and maintains policies and procedures to appropriately reflect the financial activity. There were only two classes involved in these observations, one revenue source (should have been a 009 - other revenue rather than 000 - Federal revenue) and one expenditure class (class 073 rather than class 072). Errors do occur on occasion. Both the classes have been corrected for fiscal year 2015 and during the preparation of the budget for fiscal years 2016 and 2017.

Observation No. 3: Settlement Money Should Not Be Held For Indefinite Periods In Revolving Accounts

Observation:

The Department retains certain unspent consumer protection settlement money in non-lapsing revolving accounts, partially as protection against future revenue shortfalls in the Consumer Protection Bureau.

The Department prepares written plans for the use of high-dollar settlement proceeds. The Department does not prepare formal written plans for the use of proceeds from lower-dollar settlements. According to the Department, the plan for lower-dollar settlements is to fund positions in the Consumer Protection Bureau and the State budget is essentially the “formal” plan for the use of lower-dollar settlements.

Settlements received by the Department are deposited as restricted revenue, primarily in the Consumer Protection Escrow Account, a non-lapsing Department revolving account. Periodically, the Department transfers amounts from the Consumer Protection Escrow Account to the agency income account in the Consumer Protection Bureau to meet budgeted revenues and to fund Bureau expenditures. At March 31, 2014, the available balance in the Consumer Protection Escrow Account was approximately \$9.6 million. Of that amount, approximately \$5.2 million related to mortgage settlement agreements. The difference, approximately \$4.4 million, would be sufficient to fund the Consumer Protection Bureau for approximately five fiscal years. As noted in Observation No. 2, subsequent to auditor inquiry, the Department transferred approximately \$970,000 of this balance from the Consumer Protection Escrow Account to unrestricted General Fund revenue in June 2014.

Recommendation:

Unspent settlement money should not be held for indefinite periods in revolving accounts. Settlements that are not subject to a specific plan for use should be deposited as agency income revenue in the Consumer Protection Bureau with unencumbered balances lapsing at the close of the fiscal year.

Auditee Response:

We concur in part.

The majority of the funds in the Consumer Protection Escrow Account are the result of multi-state consumer litigation; DOJ being one of many parties to the settlement. The court orders approving the settlements specifically state that the settlement funds must be used for consumer protection purposes.

The other type of revenue in the escrow account is directly related to court ordered settlements on behalf of consumers. Those funds must be paid directly to the consumer.

It has only been in the last four years that the amounts received in multi-state settlements were sufficient to enable the Department to budget portions of the Consumer Protection Bureau using those funds. As you know, the demand for general funds in the budgeting process is greater, but the availability is decreasing. Using the settlement funds to support the Consumer Protection Bureau has allowed the Bureau to remain intact and saved the State general funds. Without these funds the Bureau would have been decimated. The Department had approximately \$3.3 million in the escrow fund at June 30, 2014. The majority of these funds were received in fiscal year 2013. We anticipate using the funds in the fiscal year 2015 budget and subsequent budgets (2016 – 2020).

The legislature recently enacted 2014 Chapter 214, which requires the DOJ to report to the fiscal committee of the general court any settlements or judgments received and the purpose for which the judgment or settlement funds are to be used. The legislation also required that 10% of any settlement or judgment over \$1,000,000 be transferred to the revenue stabilization reserve account established in RSA 9:13-e.

Observation No. 4: Review Checking Account Reconciliations

Observation:

Controls over the Department's checking account do not include a documented review and approval procedure for the reconciliation of the activity recorded in the account.

The Department maintains a revolving fund checking account with a \$10,000 balance. The account is used to support investigations into various criminal activities and for the Department's various petty-cash type expenses such as postage, training and travel expenses, transcripts, etc.

A regular reconciliation of the ledger balance and activity to the bank's records is a primary control procedure to detect and correct errors or irregularities in the account. During the nine months ended March 31, 2014, Department staff reconciled ledger and bank balances and activity in the account. However, Department policies and procedures did not include a supervisory review and approval control, to ensure reconciling items were appropriate.

A review of the March 31, 2014 account reconciliation noted the Department carried 12 checks totaling \$552 issued between January 2005 and December 2012 on its outstanding list. Having stale-dated checks carried on account reconciliations for extended periods of time indicates the account owner owes payments, which have not been successfully made.

Recommendation:

The Department should strengthen its controls over checking account activity by establishing a policy and procedure for a supervisory review and approval process for its account reconciliations.

The Department should address the stale-dated checks by either re-issuing the checks or sending the unpaid amounts to the State Treasury's abandoned property, as appropriate.

Auditee Response:

We concur.

We have developed a process whereby the Director of Administration reviews and signs off on the reconciliation.

Written procedures are currently in place to review the outstanding checks at the end of each month. It should be noted that the checks written from this account are void after 6 months.

Observation No. 5: Establish Policies And Procedures To Promote Compliance With RSA 15-A

Observation:

Not all persons associated with the Department who were identified on the Secretary of State's website as required to file Statements of Financial Interests pursuant to RSA 15-A:3 had filed timely statements as of March 31, 2014.

Forty individuals, including Department employees and other persons associated with the Department, were listed as required filers on the Secretary of State's website. A review of the filing status of those listed individuals noted:

- Twelve of the listed individuals had not filed statements, and
- Two of the listed individuals filed statements after the statutory due date.

The Department's organizational chart filed with the Secretary of State pursuant to RSA 15-A:4 identified only two Department employees as "required filers". Neither of the identified individuals were Department employees during the reporting period.

Pursuant to RSA 15-A:6, "[n]o person required to file a statement of financial interest pursuant to RSA 15-A:3, I, shall be eligible to serve in his or her appointed capacity prior to filing a statement in accordance with this section."

Recommendation:

The Department should establish policies and procedures to promote compliance with RSA 15-A. Policies and procedures should include processes for:

- Filing and maintaining current Department organization charts with the Secretary of State,
- Monitoring and requesting appropriate updates to the list of Department filers on the Secretary of State's website, and

- Periodically reviewing the compliance of employees and others associated with the Department, and sending timely reminders to those required to file.

Auditee Response:

We concur.

There are only two people who are required to file a statement of financial interest due to the responsibilities of their position, pursuant to RSA 15-A:3, I(e) - the Attorney General (AG) and the Deputy Attorney General. The organizational chart on file with the Secretary of State's Office needs to be updated with the correct names of the individuals currently in those positions. The Department will send an updated organizational chart by November 30, 2014.

Most of the individuals from the Department of Justice who are listed on the Secretary of State's "required filers" list are included because at some point each of them was or is assigned to serve as the Attorney General's designee on a committee or commission. The Executive Branch Ethics Committee has opined that these individuals are required to file a statement of financial interest. However, because they are not required to file by virtue of the responsibilities of their respective positions in the agency, they are not included on the organization chart.

All of the individuals currently employed at the Department who are required to file as AG-designees have done so. The individuals who are listed under Justice on the Secretary Of State's list as not having filed a statement of financial interest are either no longer employed at the Department or no longer serving as an AG-designee. By November 30, 2014, the Department will provide an updated list to the Secretary of State.

The Department will establish a procedure to regularly update the Secretary of State whenever someone is newly assigned to serve as an AG-designee or has ended such an assignment.

Observation No. 6: Improve Timeliness Of Charitable Trust Filing Information

Observation:

The Department's Charitable Trust Unit was not current in addressing charitable trust filings during the nine months ended March 31, 2014.

The Department's website includes a listing of charitable trust organizations that are registered with the State. Untimely processing of charitable trust filings lessens the accuracy of the Department's registry of charitable trust organizations.

Testing of a sample of 19 charitable trust organizations identified:

- The Department processed the annual report for one tested charitable trust organization 141 days after the Department received the report.

- One tested charitable trust organization failed to file annual reports for two consecutive years. The Department’s efforts to “compel compliance” occurred 160 days after the end of the second year, at which point the trust was notified that failure to respond by February 28, 2014 would close the organization’s registration. As of June 5, 2014, the charitable trust organization remained on the Department’s registry. According to the Department, as of June 2, 2014, a total of 162 charitable organizations listed on the registry had not filed reports within the prior two years. The most delinquent of the organizations last filed a report in June of 2004. The registry does not indicate the delinquent filing status of organizations.
- Two of the tested charitable trust organizations had made duplicate payments that remained un-refunded to the trusts as of March 31, 2014. One of those trusts also had an un-refunded duplicate payment from the prior reporting period. The Department had not notified the charitable trust organizations of the duplicate payments.

Recommendation:

The Department should review and resolve the causes of delays in processing charitable trust organizations’ annual report filings to promote accurate information on the Department’s charitable trust registry.

Refunds should be processed to organizations that made duplicate payments.

Auditee Response:

We concur.

The audit makes the observation “The Department’s Charitable Trusts Unit was not current in addressing charitable trust filings during the nine months ended March 31, 2014”.

The Charitable Trusts Unit (CTU) receives approximately 8,000 annual filings, the vast majority of which are received either on or around May 15th or November 15th. The processing of the annual filings is the responsibility of one part time Paralegal I position in the Unit. That position was vacant for a period of ten months, from July 2013 to May 2014, which encompasses the time period referenced in the audit. The position has now been filled and the part time Paralegal I is in the process of clearing the backlog of reports. We expect the backlog to be cleared by January 1, 2015.

RSA 7:28, VI provides that “failure for 2 successive years to file a report shall . . . constitute a breach of trust and the attorney general shall take such action as may be appropriate to compel compliance.” Pursuant to this statute, the CTU currently takes steps to compel compliance with filing requirements only after a 2-year delinquency. The Department will attempt to determine the circumstances surrounding the organization that last filed in 2004.

The processing of charitable trust filings includes a review of the filing fee received, or not received, with the subject report. If the Paralegal I observes a duplicate payment has been made by the charity, a request is submitted to the Business Office requesting a refund of the overpayment. For the reasons specified above, this review did not take place for a ten month

period. The position is now filled and duplicate payments will be refunded in a timely manner going forward.

The software that the Charitable Trusts Unit is currently using to track registrations and annual filings is out of date, to the point that the Department of Information Technology will no longer support it. The online registry, which works off that software, cannot be modified to include an indicator that a charity is delinquent in its filing.

The CTU has been striving for years to implement an electronic filing system, which would dramatically reduce the amount of work involved in processing the annual filings and enable the CTU to run reports and quickly identify those entities that are delinquent. Most recently, in 2011, legislation (HB 534-FN) was introduced appropriating \$45,000 to the Department to cover the initial startup costs of an electronic filing system for state forms. That legislation was killed. The Department is now part of a 12-state collaborative that is working to implement a single filing point system for charities nationwide. That effort has been underway for approximately 2 years. It is anticipated that the system will be rolled out in the next 2-5 years. In the meantime, the CTU must continue to process annual filings manually.

Observation No. 7: Perform Debt Collection Retention Calculation Annually

Observation:

During the nine months ended March 31, 2014, the Department did not have a current calculation of the percentage it should retain from debt collected on behalf of other State agencies appropriate to fund the Department's debt collection activity.

Pursuant to paragraph IV (b) of RSA 7:15-a, *Collection of Debts Owed to the State*,

[a] percentage of each amount collected under this section shall be retained in the debt recovery fund for the purpose of funding the costs of all debt collection. The percentage shall be set annually by the attorney general in consultation with the commissioner of the department of administrative services at 150 percent of the total costs and expenses of the debt collection during the prior fiscal year divided by the total debt collected. Any amount remaining in the fund at the end of a fiscal year in excess of 200 percent of the costs and expenses of debt collection during the fiscal year shall be paid in a proportional amount to the accounts for which they were collected.

According to the Department, the most recent calculation of a retention percentage, 41%, was to be effective for fiscal year 2010. The Department reported the calculation has not been reviewed or updated since. Auditors estimate the retention percentage for fiscal year 2014 would have been 79% using the statutory description of the calculation. Had the 79% retainage been in place, the Department would have retained approximately \$23,000 more during the nine months ended March 31, 2014.

Recommendation:

Annually, the Department, in consultation with the Commissioner of Administrative Services, should perform the calculation to determine the percentage of each debt collected by the Department to be retained for the purpose of funding the debt collection costs incurred by the Department. The calculated retainage rate should be applied to debts collected by the Department, as directed by statute.

Auditee Response:

We concur.

We plan to set up a meeting with the Commissioner of Administrative Services within the next month to discuss the fiscal year 2015 amount.

Department staff was aware that the retention percentage for fiscal year 2014 would have been approximately 79%. However, we are concerned that if the Department retains that amount, agencies will not refer their debts to the Department for collection as they will receive significantly less in return. We will review the statute and determine whether an amendment may be necessary.

Observation No. 8: Improve Controls Over Currency Held As Evidence

Observation:

During the nine months ended March 31, 2014, the Department held currency seized as evidence in an evidence storage facility, pending final disposition.

As of the August 19, 2014 date of inquiry, the Department reported it held approximately \$16,000 of currency in its evidence storage related to 29 different defendants. One case dated back to 2004 and another dated back to 2009. The other cases were more current.

Holding currency in evidence storage increases the risk of loss through mishandling of stored items and associated records and prevents the accrual of interest to the detriment of the owner of the money.

A similar finding was included in the prior, 2005, audit report of the Department.

Recommendation:

The Department should consider the increased risk of holding currency in evidence storage and either implement appropriate controls to mitigate the risks associated with holding currency for indeterminate periods of time or develop a process that would allow for the deposit of the currency in an appropriate account pending final disposition without compromising its possible evidentiary value.

Auditee Response:

We concur.

The cash is kept in a locked safe in the locked and alarmed evidence room, which is in a wing of the Drug Task Force (DTF) Office that is locked and alarmed. The only people with access to the evidence room and the safe are the Commander and Deputy Commander of the DTF. Whenever evidence is placed in or removed from the evidence room, the person handling the evidence must complete an entry on the evidence log. This is the same process that is used in police departments throughout the state.

When cash is held as evidence, the bills themselves have evidentiary value. For that reason they cannot be deposited in an account where the individual bills cannot be recovered. Cash seized in a drug investigation that is held for evidentiary purposes should be returned to the owner after the disposition of the case. If the owner cannot be located, the cash should be submitted to Treasury as abandoned property. In some cases, the police will seize the bills that were used by the DTF undercover officer or confidential informant to purchase drugs. That “buy money” is often held as evidence and then deposited into the Drug Forfeiture Fund, RSA 318-B:17-c, when the case is resolved.

All of the cash being held in the DTF’s evidence locker was either cash seized as evidence or buy money. Approximately \$8,400 is connected to cases that have been closed and the money should either be deposited in the Drug Forfeiture Fund as buy money, returned to the owner, or, if the owner cannot be located, submitted to Treasury as abandoned property. Before that occurs, the Department must request authorization from the court. Within 60 days, the Department will file the requisite motions for authorization.

The remainder of the \$16,000, or approximately \$7,600, is connected with cases that are pending or the defendant is wanted. Because the bills themselves may have evidentiary value, they must continue to be held as evidence, absent a court order otherwise. *See* RSA 575-A:6.

To avoid holding cash unnecessarily long, the Department will implement a procedure to track cash that is being held as evidence. On a quarterly basis, the DTF shall generate a list and provide the Director of Administration a list of the cases in which money is being held as evidence in the DTF Evidence Room, to include the case name, date and amount of the seized money, and whether there is a prosecution pending or contemplated. In any instance where cash has been held in evidence for more than 6 months and no prosecution is pending or anticipated, the DTF shall file a motion with the court to return the cash to the owner.

Observation No. 9: Strengthen Financial And Operational Controls Over Assistant Deputy Medical Examiners

Observation:

The Department contracts with 23 independent Assistant Deputy Medical Examiners (ADMEs) to perform death investigations and certifications prior to cremations. The ADMEs are paid for mileage and services provided subject to agreements known as memorandum of understandings (MOUs). The ADMEs are hired by, and report to, the Department's Chief Medical Examiner (CME).

1. The Department does not submit its MOUs with ADMEs to Governor and Council for approval, even though the MOUs appear to meet criteria identifying contracts requiring submission for Governor and Council approval¹.
2. The Department has not monitored ADME agreements to ensure current MOUs are in place for all ADMEs providing services. Auditors reviewed a random sample of eight of the 23 ADMEs for MOU status. The MOUs for five of the sample of eight ADMEs appeared to be out of date during most of the nine months ended March 31, 2014. One MOU had an expiration date of December 2008.
3. One CME employee also performs ADME services pursuant to an MOU. According to the employee, if no other ADME is available, the employee will perform ADME services during regular work hours, either during the lunch hour or upon using leave time from State employment. The employee is paid for the ADME services provided pursuant to the MOU.
4. One ADME earned \$127,437 for services provided during the nine months ended March 31, 2014. The next highest earning ADME earned \$62,575. While earnings are based on services provided, the proportion of the ADME work performed by this contractor appears out of balance with its peers.

Recommendation:

The Department should strengthen its financial and operational controls over its ADMEs.

1. The Department's agreements for ADME services that meet MOP criteria should be submitted to Governor and Council for approval.
2. The Department should monitor MOUs with ADMEs to ensure current MOUs are in place for all ADMEs providing services. Timely renewals would help clarify the working

¹ Per the Manual of Procedures (MOP), section 150, IV. A., all contracts in excess of \$2,500 or more covering personal services, consultant services, and costs associated with organized meetings are required to be submitted to the Governor and Council for approval as well as all contracts in the amount of \$10,000 or more covering any other type of service.

relationship between the Department and the ADME's and promote a routine review of ADME performance.

3. Department employees who perform ADME functions should do so as Department employees. Department employees performing ADME functions after hours should be compensated by compensatory time or overtime pay as appropriate.
4. The Department should take more responsibility for the allocation of ADME work. The Department should ensure ADME work is reasonably distributed among ADMEs to lessen the risks from overreliance on a single contractor.

Auditee Response:

We concur in part.

1. We do not believe the MOUs need to be submitted to Governor and Council for approval. The Chief Medical Examiner is statutorily authorized under RSA 611-B:5 to appoint ADMEs. No Governor and Council approval is required. The amount that an ADME is paid for each type of service - telephone consultation, death investigation, and pre-cremation examination - is statutorily authorized under RSA 611-B:27. There is nothing over which the Governor and Council has authority. Nonetheless, the Department will provide a description of the ADME MOU to the Department of Administrative Services so that DAS can include it as one circumstance in which the Governor and Council approval is not required, pursuant to MOP 150, IV(F).
2. The DOJ is in the process of developing a monitoring file for all ADMEs. The plan is to assign the monitoring of the MOUs to the Administrative Secretary position within the Office of the Medical Examiner. This will be in effect by the end of December 2014.
3. The Office of Chief Medical Examiner (OCME) employee providing ADME services during regular work hours no longer provides these services during those hours. However, that employee is not required to perform ADME services as part of the regular job. The employee has chosen to provide those services as an independent provider and is entitled to the statutory payment as such.
4. The Department recognizes that there is one ADME who earns a seemingly disproportionate amount. That is, to some extent, a reflection of the fact that, unlike the vast majority of ADMEs who are otherwise employed, he is available on a full-time basis to provide services. It is also a reflection of the geographic region he serves. ADMEs must be able to physically respond to requests for death investigations within a defined period of time, 24 hours/day. To achieve that, ADMEs are recruited from and assigned to cover various regions of the state. The work demands vary according to region - the more populated the region, the more deaths. The ADME who is the highest paid covers the Hillsboro, Merrimack and Rockingham Counties, the most populated area of the state.

By June 30, 2015, the Department will analyze how the ADMEs' schedules are developed, to either make changes to the ADMEs assignments where possible, recommend changes to the payment structure, or look at the possibility of using these funds to hire a full time investigator within the OCME's office to assume a portion of the work load.

Observation No. 10: Improve Assistant Deputy Medical Examiner Payment Controls

Observation:

The Department contracts with Assistant Deputy Medical Examiners (ADMEs) for the performance of death investigations and pre-cremation examinations. The ADMEs bill the Department monthly for services performed and mileage incurred. The amounts the Department pays to ADMEs are reimbursed by the counties for death investigation services and by funeral homes and crematoriums for pre-cremation examinations. The fees for services provided by the ADMEs are included in statute.

1. The Forensic Investigator in the Chief Medical Examiner's (CME) office reviews monthly ADME invoices for death investigations and phone consultation services provided prior to the submission of the invoices to the Department's business office for payment. The review includes ensuring the death investigations and phone consultations listed on the ADME invoices are accompanied by a report and county codes and case numbers are accurate.

The following weaknesses were noted in the control processes over ADME payments:

- The Forensic Investigator's review of the ADME invoices is not documented.
 - The monthly invoices prepared by the Forensic Investigator (who is both an ADME and a Department employee) for ADME services are not subject to a review for reasonableness or accuracy prior to submission to the business office for payment. The Department paid the Forensic Investigator \$26,910 for performing ADME services during the audit period. The ADME payments were in addition to the employee's \$68,200 annual salary.
 - The forms used for ADME invoicing are not designed to allow for an effective review of mileage claimed for payment by ADME's. The form reports only a total number of miles traveled by case. Without documenting the starting and ending locations for each case, it is impossible to determine whether the mileage requested for payment is reasonable or accurate.
2. The Department's business office reviews monthly ADME invoices for pre-cremation certification services provided.
 - The auditor's review of a sample of six monthly ADME invoices identified nine instances where the invoice did not include a charge for a pre-cremation certification service that had apparently been performed as evidenced by a completed pre-cremation certification form submitted by a funeral home or crematorium. The Department employee responsible for processing ADME payments reported that ADME's apparently sometimes neglect to invoice for a provided service. The Department reported it does not

pay or follow up with ADMEs for unbilled services, even if the Department receives the corresponding \$60 revenue from the funeral home or crematorium for that service. The Department estimated there were at least 136 instances where ADMEs had neglected to invoice for pre-cremation services provided during our audit period.

Recommendation:

1. The Department should improve its control processes over ADME payments. The Department should:
 - Establish policies and procedures to ensure the Forensic Investigator's review of ADME invoices is documented.
 - Ensure ADME invoices prepared by the Forensic Investigator are subject to a documented supervisory review prior to submission to the Department's business office. This review will promote a proper segregation of duties in the ADME payment process.
 - Revise the ADME invoice form to include a more detailed description of travel incurred by case to allow for an effective review of travel costs claimed on the monthly ADME invoice.
2. The Department should identify the reasons ADMEs are not invoicing for services performed. The Department should determine whether improvements in ADME invoicing practices should be made or whether there is some other explanation for the instances where pre-cremation certifications were reported by funeral homes or crematoriums as having been performed but for which the Department was not charged by an ADME.
 - The Department should pay for services provided by the ADMEs. The Department should not keep unclaimed amounts.

Auditee Response:

We concur.

1. The Department has since corrected the Forensic Investigator's process of reviewing ADME invoices. The Forensic Investigator now reviews and initials all invoices prior to sending them to the Business Office for processing. Likewise, the Forensic Investigator's invoices are reviewed and initialed by the CME prior to forwarding them to the Business Office for processing. The forms used for ADME invoicing are currently under review to incorporate a better way of tracking mileage. The plan is to have the new invoices completed and ready for use effective January 1, 2015.
2. The administration is in the process of identifying why the ADMEs do not bill for the various pre-cremation certificates. The Business Office receives over 6,300 (approximately 700 per month) pre-cremation certificates. ADME invoices are required to be processed and paid within seven days of receipt. The cremation certificates and associated payments from the crematory/funeral homes can be received anytime during the subsequent months. The process of matching the certificates to the invoices of 23 ADME's is a difficult task. As a general

policy, the ADME should bear the responsibility of billing for the correct number of pre-cremation reviews and amount of reimbursement for their services. The memorandum of understanding will be amended to provide that services not invoiced within a defined period of time will be considered waived. However, as part of the overall review of the ADME billing process, the DOJ will look for a solution to this issue.

State Compliance

Observation No. 11: Adopt Required Administrative Rules

Observation:

The Department has not adopted or kept current certain administrative rules required by statute.

Statute	Description of Rule	Administrative Rule	Status
RSA 7:22	Charitable Trusts, Charitable Solicitations, and Charitable Sales Promotions	N/A	Not Adopted*
RSA 318-B:17-c, III	Drug Forfeiture Fund	JUS 300	Expired
RSA 356-A:5, VII	Land Sales Full Disclosure: Application For Registration	JUS 1302.02 (b) JUS 1306.15	Not Current
RSA 356-B:51, VII	Condominiums: Application For Registration	JUS 1402.02 (b) JUS 1405.17	Not Current
RSA 357-D:9	Rulemaking (New Motor Vehicles)	JUS 1000	Expired
RSA 358-I:6-a	Rulemaking (Health Club)	N/A	Not Adopted
RSA 421-B:15-a	Uniform Limited Offering Registration	N/A	Not Adopted*
RSA 541-A:16, I	Rules, Filing Required	JUS 606 JUS 1309 JUS 1408	Not Complete*
RSA 541-D:9	Tobacco Products Manufacturers	N/A	Not Adopted*
RSA 592-A:12	Payment of Witnesses in Criminal Cases	N/A	Not Adopted*
RSA 611-B:2, II	Chief Medical Examiner	JUS 2000	Not Current

*Status was the same for the prior, 2005, audit.

A similar finding was included in the prior, 2005, audit report of the Department.

Recommendation:

The Department should adopt and keep current statutorily-required administrative rules. If the Department determines certain rules are not necessary, the Department should pursue a timely and appropriate change in statute.

Auditee Response:

We concur.

The Department recognizes the need to keep current on statutorily required administrative rules. Its failure to do so is reflective of inadequate staffing levels and the increase in complex legal matters to which we are required to respond. By necessity, we must conduct triage on the legal work assignments and address those that are most pressing. Although there are clearly some exceptions, the drafting of administrative rules are not mission critical. Nonetheless, by December 15, 2014, the Department will make an assessment of whether expired rules need to be readopted and/or whether we should seek repeal of any of the various statutory requirements for rules; establish a schedule for promulgation of rules that are deemed necessary, and seek legislation, if necessary, to repeal any statutory requirement for rules that the Department deems unnecessary.

Observation No. 12: Charge Statutory Fee

Observation:

The Department implemented a policy in 2008 to waive the \$60 pre-cremation certification fee for the issuance of a medical examiner's pre-cremation certificate in accordance with RSA 325-A:18 when the certificate is issued for the cremation of an infant or a person involved in a welfare case. In these instances, the Department does not charge the crematorium or funeral home the \$60 statutory fee, the ADME does not bill the Department the \$50 fee for their services, and the funeral home or crematorium waives its fee to the family of the deceased. According to the policy, the fee waivers are granted "in the interests of equity and compassionate consideration for the families...". The Department reported a total of 163 fees were waived during the audit period. RSA 325-A:18, II, states, "[t]he crematory authority shall forward a copy of the cremation certificate to the office of the chief medical examiner, accompanied by a \$60 fee. The fee shall be deposited in the medico-legal investigative fund established pursuant to RSA 611-B:28." There does not appear to be a statutory provision for waiving the fee.

Recommendation:

The Department should charge statutory fees for services as provided in RSA 325-A:18. If the Department determines the statutory fees should be waived, the Department should request an appropriate amendment to the statute.

Auditee Response:

We concur.

The Department will seek an amendment to RSA 325-A:18 to allow the ADMES to waive the \$60.00 fee for an infant or cremation of a person involved in a welfare case. Currently the ADME does not charge for the services, nor does the crematorium or funeral home charge the family of the deceased.

Observation No. 13: File Required Reports

Observation:

During the nine months ended March 31, 2014, the Department was not in full compliance with statutes requiring the filing of reports. We noted the following instances where the Department had not filed statutorily required reports timely:

Statute	Report Description	Due Date	Date Submitted	Noncompliance Noted
RSA 4:39-e, I	Report identifying all real property owned or leased by the agency.	7/1/13	1/4/14	Filed 187 Days Late
RSA 7:6-c, II	Rolling report on the status of all complaints of alleged violations of the election laws received.	7/31/13	1/3/14	Filed 156 Days Late
RSA 7:37	Report of the attorney general's official acts and of all money received and the disposition made thereof by him during the preceding 2 years, and containing such statistics and other information concerning crimes and misdemeanors, and such recommendations with reference to their prevention and punishment.	12/1/13	7/2/14	Filed 213 Days Late
RSA 21-M:8-g, IV	Report detailing the number of claims for compensation made from the victims' assistance fund and the total amount of compensation granted from the fund for the preceding fiscal year, and the balance of	9/15/13	9/27/13	Filed 12 Days Late

	the fund as of the end of the preceding fiscal year.			
RSA 21-M:8-m, V	Report on the activities and results of the cold case unit.	12/1/13	N/A	Not Filed
RSA 21-M:16, VII	Report describing any trends and patterns of deaths or serious injuries or risk factors, together with any recommendations for changes in law, policy, and practice that will prevent deaths and related serious occurrences.	11/1/13	December 2013	Filed 30-60 Days Late
CH 155, L'2013	Quarterly reports on efforts to collect the arrearages owed to New Hampshire by Massachusetts for mitigation of flooding as part of the 1953 and 1957 interstate compacts.	11/1/13	N/A	Not Filed

The Department reported it was not aware of all the filing requirements in statute.

Recommendation:

The Department should file statutorily required reports timely.

If the Department determines the filing of certain statutorily required reports is no longer necessary, the Department should seek to have the statutes requiring the filing of those reports amended or repealed.

Auditee Response:

We concur.

With respect to RSA 4:39-e, I, fiscal year 2013 was the first year this report was required. There was some confusion as to whether we were to report the leased property and the Department of Administrative Services was in the process of developing a database for this information. The report was filed as required in fiscal year 2014.

With respect to 2013 Chapter 155, a report was filed on January 31, 2014, indicating that we have received a check from the Commonwealth of Massachusetts in full settlement of the arrearages owed to New Hampshire through fiscal year 2012.

The Department will develop a process to identify and monitor the RSA's with reporting requirements to ensure that all reports are filed on a timely basis.



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Independent Auditor's Report

To The Fiscal Committee Of The General Court:

Report On The Financial Statement

We have audited the accompanying financial statement of the New Hampshire Department of Justice which comprises the Statement of Revenues and Expenditures - Governmental Funds, for the nine months ended March 31, 2014, and the related notes to the financial statement.

Management's Responsibility For The Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 qualified audit opinion.

Basis For Qualified Opinion

As discussed in Note 1, the financial statement referred to above does not purport to and does not constitute a complete financial presentation of the Department of Justice in conformity with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the respective revenues and expenditures of the Department of Justice's portion of the State of New Hampshire's Governmental Funds for the nine months ended March 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 1, the financial statement referred to above reports certain financial activity of the Department of Justice. It does not purport to, and does not, present fairly the financial activity of the State of New Hampshire as of March 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the financial statement is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement of the Department of Justice which comprises the Statement of Revenues and Expenditures - Governmental Funds, for the nine months ended March 31, 2014. The accompanying Budget to Actual Schedule - General Fund and the Schedule of Expenditures of Federal Awards are

presented for purposes of additional analysis and are not required parts of the basic financial statement.

The Budget to Actual Schedule - General Fund and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budget to Actual Schedule and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statement as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the Department of Justice's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department of Justice's internal control over financial reporting and compliance.



Office Of Legislative Budget Assistant

October 29, 2014

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE
STATEMENT OF REVENUES AND EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>Unrestricted Revenues</u>				
Tobacco Settlement	\$ 125,024	\$ -0-	\$ -0-	\$ 125,024
Other	211,164	-0-	-0-	211,164
Total Unrestricted Revenues	<u>336,188</u>	<u>-0-</u>	<u>-0-</u>	<u>336,188</u>
<u>Restricted Revenues</u>				
Federal Revenues	5,754,966	-0-	-0-	5,754,966
Interagency Revenues	1,489,604	-0-	-0-	1,489,604
Penalty Assessments	634,961	-0-	-0-	634,961
Other	2,591,194	-0-	-0-	2,591,194
Total Restricted Revenues	<u>10,470,725</u>	<u>-0-</u>	<u>-0-</u>	<u>10,470,725</u>
Total Revenues	<u>10,806,913</u>	<u>-0-</u>	<u>-0-</u>	<u>10,806,913</u>
<u>Expenditures</u>				
Grants And Grant Administration	4,061,600	-0-	-0-	4,061,600
Attorney General	2,026,264	-0-	-0-	2,026,264
Criminal Justice	1,840,040	-0-	-0-	1,840,040
Civil Law	1,468,192	-0-	-0-	1,468,192
Mortgage Settlement Funds	1,184,219	-0-	-0-	1,184,219
Consumer Protection	1,060,342	-0-	-0-	1,060,342
Chief Medical Examiner	1,002,868	-0-	-0-	1,002,868
Victim Services	908,698	-0-	-0-	908,698
Environmental Protection	669,715	-0-	-0-	669,715
Drug Task Force	597,206	-0-	-0-	597,206
Assistant Deputy Medical Examiners	595,175	-0-	-0-	595,175
Transportation	542,581	-0-	-0-	542,581
Charitable	520,081	-0-	-0-	520,081
Medicaid Fraud	484,029	-0-	-0-	484,029
Other	351,514	124,203	66,145	541,862
Total Expenditures	<u>17,312,524</u>	<u>124,203</u>	<u>66,145</u>	<u>17,502,872</u>
Excess (Deficiency) Of Revenues				
Over (Under) Expenditures	<u>(6,505,611)</u>	<u>(124,203)</u>	<u>(66,145)</u>	<u>(6,695,959)</u>
Other Financing Sources (Uses)				
Net Appropriations (Note 2)	6,841,799	124,203	66,145	7,032,147
Total Other Financing Sources (Uses)	<u>6,841,799</u>	<u>124,203</u>	<u>66,145</u>	<u>7,032,147</u>
Excess (Deficiency) Of Revenues And				
 Other Financing Sources Over (Under)				
Expenditures And Other Financing Uses	<u><u>\$ 336,188</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 336,188</u></u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Department of Justice is an organization of the primary government of the State of New Hampshire. The accompanying financial statement reports certain financial activity of the Department.

The financial activity of the Department of Justice is accounted for and reported in the State's General, Highway, and Capital Projects Funds in the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities, net position, and fund balances are reported for the State as a whole and by fund in the CAFR. The Department of Justice, as a department of the primary government, accounts for only a small portion of the State's financial activities and those assets, liabilities, net position, and fund balances as reported in the CAFR that are attributable to the Department cannot be determined. Accordingly, the accompanying financial statement is not intended to show the net position, fund balances, or changes in fund balances of the Department. Likewise, the State CAFR reports governmental activities for the State as a whole in the State's government-wide financial statements. The Department accounts for only a small portion of the State's governmental activities and the governmental activities related to the Department cannot be determined. Accordingly, the accompanying financial statement is not intended to show a governmental activities presentation of the Department's financial activities. The accompanying financial statement is intended to show a fund presentation of the Department's revenues and expenditures in the Governmental Funds.

B. 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 Department of Justice reports its financial activity in the funds described below.

Governmental Fund Types:

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. All revenues of governmental funds, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

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

Capital Projects Fund: The Capital Projects Fund is 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.

Reporting Period

The accompanying Department of Justice financial statement is presented for the nine months ended March 31, 2014.

C. Measurement Focus and Basis of Accounting

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 of the end of the current fiscal period. 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.

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

D. Revenues And Expenditures

In the governmental fund financial statements, revenues are reported by source and expenditures are reported by function. For budgetary control purposes, revenues are further classified as either "unrestricted" (general purpose) or "restricted." Unrestricted revenues are credited directly to the appropriate fund balance upon recording in the State's accounting system. Pursuant to the State's operating budget, unrestricted or general purpose revenues collected by an agency are not used

as a direct source of funding for agency operations but are available to fund any activity accounted for in the fund. The recording of unrestricted revenues has no effect on an agency's authorization to expend funds.

Restricted revenues are either by State law or by outside restriction (e.g. federal grants), available only for specified purposes and are credited to the agency's accounting unit to which the restricted revenue is budgeted upon recording in the State's accounting system. Restricted revenues recorded by an agency are direct sources of funding for budgeted agency operations (appropriations).

Unused restricted revenues at year end are either lapsed or generally recorded as a committed or assigned fund balance. When both unrestricted (general purpose) and restricted funds are available, it is the State's policy to use restricted revenues first.

Other Financing Sources – these additions to governmental resources in the fund financial statement result from financing provided by net appropriations.

E. Receivables

In the governmental fund financial statement, receivables are primarily federal grants receivable and fees for legal services provided to other State agencies, which are received by the Department of Justice within 60 days after period-end.

F. Encumbrances

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.

G. Budget Control And Reporting

General Budget Policies

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 for State agencies, including the Department, 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 schedule. Fiduciary funds are not budgeted.

In addition to the enacted biennial operating budget, the 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 department level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Joint Legislative 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 is 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.

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. The Department's unliquidated encumbrance balance in the General Fund at March 31, 2014 was approximately \$28.8 million, of which approximately \$22.3 million is related to settlements of gasoline additive methyl tertiary-butyl ether (MtBE) claims.

A Budget To Actual Schedule - General Fund is included as supplemental information.

NOTE 2 – NET APPROPRIATIONS

Net appropriations reflects appropriations for expenditures in excess of restricted revenues. Net appropriations are made from fund balance of the respective Governmental Fund.

NOTE 3 - EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and

vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire.

Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is $1/60$ (1.67%) 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 $1/66$ (1.5%) 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 $1/4$ 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.

All covered Department employees are members of Group I.

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

A special account was established by RSA 100-A:16, II(h) for additional benefits. Prior to fiscal year 2007, the account was credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus 1/2 of 1 percent.

In 2007, legislation was passed that permits the transfer of assets into the special account for earnings in excess of 10 1/2 percent as long as the actuary determines the funded ratio of the consolidated retirement system to be at least 85 percent. If the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

In fiscal year 2011, two pieces of legislation passed that impacted the special account. The first required an \$89 million transfer from the special account to the state annuity accumulation fund effective May 11, 2011. The other, required the balance remaining in the special account, less funds set aside to comply with the temporary supplemental allowances required by RSA 100-A:41-d, III, to be transferred to the respective components of the State annuity accumulation fund, effective June 30, 2011. This resulted in an additional transfer from the special account to the State annuity accumulation fund totaling \$167.3 million.

In fiscal year 2012, legislation was passed that repealed the special account.

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

Funding Policy

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During the nine months ended March 31, 2014, by statute, Group I members contributed 7.0% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State funds 100% of the employer cost for all of the Department's employees enrolled in the Plan.

The Department's normal contribution rate was 10.51% of the covered payroll for the nine months ended March 31, 2014. The Department's normal contributions for that period were \$514,502.

Other Postemployment Benefits

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses. These benefits include group

hospitalization, hospital medical care, surgical care, and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of State service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of State service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer group health plan (Plan), which is the State's self-insurance internal service fund implemented in October 2003 for active State employees and retirees. The Plan funds the cost of medical claims by charging actuarially developed working rates to State agencies for participating employees, retirees, and eligible spouses. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees.

The Department's Medical Subsidy normal contribution rate during the nine months ended March 31, 2014 was 1.62% of the covered payroll for its Group I employees. The Department's contributions for the Medical Subsidy for the nine months ended March 31, 2014 were \$79,305.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NOTE 4 - FEDERAL FUNDS

The Schedule of Expenditures of Federal Awards (the Schedule), on page 41, is presented for the purpose of additional analysis. The expenditures presented in the Schedule are presented on the cash basis of accounting; expenditures are recorded when paid rather than when the obligation is incurred.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE
BUDGET TO ACTUAL SCHEDULE - GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	Fiscal Year	Nine Month	Variance
	Budget	Actual	Favorable/ (Unfavorable)
<u>Unrestricted Revenues</u>			
Tobacco Settlement	\$ 4,900,000	\$ 125,024	(\$4,774,976)
Other	<u>270,000</u>	<u>211,164</u>	<u>(58,836)</u>
Total Unrestricted Revenues	<u>5,170,000</u>	<u>336,188</u>	<u>(4,833,812)</u>
<u>Restricted Revenues</u>			
Federal Revenues	12,509,348	5,754,966	(6,754,382)
Interagency Revenues	2,371,010	1,489,604	(881,406)
Penalty Assessments	-0-	634,961	634,961
Other	<u>3,475,690</u>	<u>2,591,194</u>	<u>(884,496)</u>
Total Restricted Revenues	<u>18,356,048</u>	<u>10,470,725</u>	<u>(7,885,323)</u>
Total Revenues	<u>23,526,048</u>	<u>10,806,913</u>	<u>(12,719,135)</u>
<u>Expenditures</u>			
Grants And Grant Administration	11,081,116	4,061,600	7,019,516
Attorney General	2,197,398	2,026,264	171,134
Criminal Justice	2,648,975	1,840,040	808,935
Civil Law	2,143,236	1,468,192	675,044
Mortgage Settlement Funds	495,052	1,184,219	(689,167)
Consumer Protection	1,394,674	1,060,342	334,332
Chief Medical Examiner	1,244,944	1,002,868	242,076
Victim Services	315,331	908,698	(593,367)
Environmental Protection	941,387	669,715	271,672
Drug Task Force	1,348,455	597,206	751,249
Assistant Deputy Medical Examiners	743,902	595,175	148,727
Transportation	790,382	542,581	247,801
Charitable	750,825	520,081	230,744
Medicaid Fraud	828,618	484,029	344,589
Other	<u>375,473</u>	<u>351,514</u>	<u>23,959</u>
Total Expenditures	<u>27,299,768</u>	<u>17,312,524</u>	<u>9,987,244</u>
Excess (Deficiency) Of Revenues			
Over (Under) Expenditures	<u>(3,773,720)</u>	<u>(6,505,611)</u>	<u>(2,731,891)</u>
Other Financing Sources (Uses)			
Net Appropriations (Note 2)	<u>8,943,720</u>	<u>6,841,799</u>	<u>2,101,921</u>
Total Other Financing Sources (Uses)	<u>8,943,720</u>	<u>6,841,799</u>	<u>2,101,921</u>
Excess (Deficiency) Of Revenues And			
Other Financing Sources Over (Under)			
Expenditures And Other Financing Uses	<u>\$ 5,170,000</u>	<u>\$ 336,188</u>	<u>(\$4,833,812)</u>

The accompanying notes are an integral part of this schedule.

Notes To The Budget To Actual Schedule For The Nine Months Ended March 31, 2014

Note 1 - General Budget Policies

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 annual budgets for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received. 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 General Fund and other governmental funds, with the exception of the Capital Projects Fund.

The New Hampshire biennial budget is composed of the initial operating budget, supplemented by additional appropriations. These additional appropriations and estimated revenues from various sources are authorized by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances.

The budget, as reported in the Budget To Actual Schedule, reports the initial operating budget for fiscal year 2014 as passed by the Legislature in Chapter 143, Laws of 2013.

Budgetary control is at the department level. In accordance with RSA 9:16-a, notwithstanding any other provision of law, every department is authorized to transfer funds within and among all program appropriation units within said department, provided any transfer of \$75,000 or more shall require prior approval of the Joint Legislative Fiscal Committee and the Governor and Council. Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial system. The Legislative Branch, represented by the Joint Legislative 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 lapse to fund balance and be available for future appropriations unless they have been encumbered or are legally defined as non-lapsing accounts.

Variances - Favorable/(Unfavorable)

The variance column on the Budget To Actual Schedule highlights differences between the original 12-month operating budget and the Department of Justice's actual revenues and expenditures during the first nine months of fiscal year 2014. Actual revenues exceeding budget

or actual expenditures being less than budget generate a favorable variance. Actual revenues being less than budget or actual expenditures exceeding budget cause an unfavorable variance.

Unfavorable variances are expected for revenues and favorable variances are expected for expenditures when comparing nine months of actual revenues and expenditures to an annual budget.

The unfavorable expenditure variance in the Mortgage Settlement Funds account is the result of expenditures during the nine months ended March 31, 2014 that were supported by unliquidated encumbrances of the prior fiscal year. These unliquidated encumbrances were carried forward into fiscal year 2014 and are not included in the Fiscal Year Budget column.

The unfavorable expenditure variance in the Victim Services account is the result of expenditures during the nine months ended March 31, 2014 that were supported by transfers of excess Penalty Assessment revenues that are not reflected in the Fiscal Year Budget column.

Note 2 - Net Appropriations

Net appropriations reflect appropriations for expenditures in excess of restricted revenue. Net appropriations are made from the fund balance of the General Fund.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

Federal Catalog	Federal Grantor	Total Federal
<u>Number</u>	<u>Federal Program Title</u>	<u>Expenditures</u>
U.S. Department of Justice		
16.017	<i>Sexual Assault Services Formula Program</i>	\$ 127,896
16.527	<i>Supervised Visitation, Safe Havens for Children</i>	146,806
16.550	<i>State Justice Statistics Program for Statistical Analysis Centers</i>	1,087
16.554	<i>National Criminal History Improvement Program (NCHIP)</i>	129,450
16.560	<i>National Institute of Justice Research, Evaluation, and Development Project Grants</i>	98,796
16.575	<i>Crime Victim Assistance</i>	1,517,765
16.576	<i>Crime Victim Compensation</i>	155,158
16.579	<i>Edward Byrne Memorial Formula Grant Program</i>	938,918
16.582	<i>Crime Victim Assistance/Discretionary Grants</i>	85,838
16.585	<i>Drug Court Discretionary Grant Program</i>	79,523
16.588	<i>Violence Against Women Formula Grants</i>	802,479
16.593	<i>Residential Substance Abuse Treatment for State Prisoners</i>	82,953
16.609	<i>Project Safe Neighborhoods</i>	21,788
16.727	<i>Enforcing Underage Drinking Laws Program</i>	97,340
16.740	<i>Statewide Automated Victim Information Notification (SAVIN) Program</i>	649
16.754	<i>Harold Rogers Prescription Drug Monitoring Program</i>	10,223
16.812	<i>Second Chance Act Prisoner Reentry Initiative</i>	33,468
16.816	<i>John R. Justice Prosecutors And Defenders Incentive Act</i>	37,522
16.999	<i>No Title - Federal Forfeitures</i>	52,286
U.S. Department of Health and Human Services		
93.643	<i>Children's Justice Grants to States</i>	53,542
93.775	<i>State Medicaid Fraud Control Units</i>	349,354
		<u>\$ 4,822,841</u>

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APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary, as of October 29, 2014 of the current status of the observations contained in the audit report of the Department of Justice for the nine months ended March 31, 2005. The prior report can be accessed on-line at:
http://www.gencourt.state.nh.us/LBA/AuditReports/FinancialReports/pdf/DOJ_2005_full.pdf.

	<u>Status</u>		
<i>Internal Control Comments</i>			
<i>Reportable Conditions</i>			
<u>Financial Accounting And Reporting</u>			
1. Medicaid Fraud Control Unit Revenue Should Be Recognized Timely	●	●	●
2. Use Of The Consumer Protection Escrow Account Should Be Reviewed	●	●	●
3. Staff Training For Recognizing And Recording Accounts Payable Should Be Provided	●	●	○
4. Revenue Should Not Be Recorded As Negative Expenditures	●	●	●
<u>Chief Medical Examiner's Office</u>			
5. Controls Over The Collection Of Statutory Fees Should Be Improved	●	●	○
6. Employment Status Of Assistant Deputy Medical Examiners Should Be Clarified And Documented (<i>See Current Observation No. 9</i>)	●	●	○
7. Controls Should Be Established For The Receipt Of Revenue In The Chief Medical Examiner's Office	●	●	●
<u>Other Reportable Conditions</u>			
8. Reliance On Key Employees Should Be Limited	●	●	●
9. Monitoring Of Federal Program Subrecipients Should Be Improved	●	●	○
10. Controls Should Be Established Over Revenues Collected For The Department By Other State Organizations	●	○	○
11. Payroll Duties Should Be Properly Segregated	●	●	●
12. Compliance With State Purchasing Policies Should Be Improved	●	●	●
13. Policies And Procedures Manuals Should Be Established	●	●	○
14. Controls Over Department Checking Account Should Be Improved (<i>See Current Observation No. 4</i>)	●	●	○
15. Formal Fraud Risk Mitigation Efforts Should Be Developed And Implemented	●	●	●
16. Formal Risk Assessment Policies And Procedures Should Be Established (<i>See Current Observation No. 1</i>)	●	○	○
17. Controls Over Department IT Systems Should Be Improved	●	●	●
18. Invoicing For Legal Services Should Be Supported By Analysis Of Costs Of Providing Service	●	●	○
19. Controls Should Be Improved For The Receipt Of Revenue Through The Mail	●	●	○
20. Commuting Use Of State Vehicles Should Be Reported As A Component Of Employee Wages	●	●	○

- 21. Controls Over Equipment Inventory Should Be Improved ● ● ○
- 22. Controls For Department-Owned And Borrowed Assets Should Be Improved ● ● ○

Compliance Comments

State Compliance Comments

- 23. Required Administrative Rules Should Be Adopted (*See Current Observation No. 11*) ● ○ ○
- 24. Seized Asset Account Should Be Established And Utilized (*See Current Observation No. 8*) ● ● ○
- 25. Drug Asset Forfeiture Guidelines Should Be Adopted And Maintained ● ● ○
- 26. Gifts And Donations Should Be Subject To Governor And Council Approval ● ● ●
- 27. Statutes Should Be Reviewed For Continued Applicability ● ● ●
- 28. Biennial Seized Asset Report Should Be Filed (*See Current Observation No. 13*) ● ● ○

Federal Compliance Comments

- 29. Income From Federal Programs Should Be Reported In Compliance With Program Requirements ● ● ●
- 30. Grant Expenditures Should Be Made On Reimbursement Basis Unless Otherwise Allowed ● ● ●
- 31. Earmarking Requirements Should Be Met ● ● ●

Management Issue

- 32. Policies And Procedures For The Timely Use Of Consumer Settlement Moneys Should Be Established (*See Current Observation No. 3*) ● ● ○

<u>Status Key</u>	●	●	●	<u>Count</u>
Fully Resolved	●	●	●	14
Substantially Resolved	●	●	○	15
Partially Resolved	●	○	○	3
Unresolved	○	○	○	0