

**STATE OF NEW HAMPSHIRE**

**INTERNAL CONTROL REVIEW**  
**REIMBURSEMENTS AND OTHER NON-WAGE**  
**PAYMENTS TO EMPLOYEES**

**MARCH 2019**



*To The Fiscal Committee Of The General Court:*

This report presents the results of our assessment of the internal controls in place over the State's reimbursements and other non-wage payments made to employees during the nine months ended March 31, 2018.

We conducted our work in accordance with auditing standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings.

The work performed was for the purpose of meeting the audit objectives described on page four of this report and did not constitute an audit of financial statements in accordance with GAGAS. The work performed also was not designed for the purpose of expressing an opinion on the effectiveness of the State's internal controls. Accordingly, we do not express an opinion on the effectiveness of the State's internal controls.

The Departments of Administrative Services and Transportation, and the Administrative Office of the Courts provided responses which are included with each finding in this report. We did not audit the responses provided by these entities.

*Office of Legislative Budget Assistant*

Office Of Legislative Budget Assistant

March 2019

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\* No comments suggest legislative action may be required.

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**EXECUTIVE SUMMARY**

State agency management is responsible for establishing and maintaining effective internal controls, including controls over financial reporting, and controls over compliance with the laws, administrative rules, regulations, contracts, and grant agreements applicable to the entity's activities. The Department of Administrative Services (DAS) has developed an *Internal Control Guide* to help State agency personnel understand the concepts of internal control. The *Internal Control Guide* explains the purpose of internal control and also explains its five components: control environment, risk assessment, control activities, information and communication, and monitoring. In addition, DAS also maintains a *Manual of Procedures* (MOP), approved by the Governor and Council, for use by all State agencies.

The objective of this audit was to evaluate whether the State has designed, communicated, implemented, and operated suitable internal controls over reimbursements and other non-wage payments (non-wage payments) to employees. Criteria used in the evaluation included State statutes and administrative rules, policies and procedures, including DAS' MOP and *Internal Control Guide*, accepted State business practice, and State agency policies and procedures. The purpose of this audit was not to render an opinion on the State's or any agency's financial statements, internal control, or compliance.

Our audit was performed using auditing standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings.

***SUMMARY OF RESULTS***

We found the State's controls over non-wage payments to employees consisted of controls promulgated in State-wide policies and procedures and NHFirst system controls, and controls designed and implemented at the State agencies initiating payments.

We found the design of the State-wide controls for managing non-wage payments to employees to be insufficient to provide reasonable assurance that the specified internal control objectives would be achieved.

We also found some of the State-wide controls for non-wage payments did not consistently operate as designed during the audit period. DAS' establishment, operation, and maintenance of State-wide controls over non-wage payments to employees appeared to lack sufficient specificity

and monitoring to reasonably ensure that DAS' control objectives were met, and also contributed to a control environment that did not demonstrate a strong control consciousness for the need to establish and maintain effective controls over its and State agencies' related processes.

We found the design of the controls at the agencies to be varied. For example, while most agencies required employees to complete one of two standard State forms to request mileage reimbursements, one agency did not require employees to complete either of the State forms or any other equivalent form. Also, DAS allows agencies the choice in forms for the reimbursement of in-state mileage. One form, processed in the State's payroll system is not subject to the same review and approval controls as the forms processed through the State's accounts payable system. The form processed in the payroll system reimburses employees through an additional amount in the employee's biweekly "paycheck". The form processed in the accounts payable system reimburses employees through the generation of a separate paper-check disbursement. In addition to these two reimbursement processes having different associated controls, it is likely the two payment processes have different processing costs.

We found the operation of the agency controls was also varied, with the operation of controls at some agencies, and parts of agencies, better than others. We noted some agencies appeared to consistently require compliant documentation prior to processing reimbursement requests and documentation reviewed showed evidence of management review and corrections. Documentation approved by other agencies did not appear to have been so closely reviewed as some processed forms were unsigned, lacked required documentation of expenses submitted for reimbursement, or were otherwise incomplete.

In attempting to meet its objectives of efficient and effective processing of employee non-wage payments, weaknesses in the design and operation of related internal controls put the State at increased risk for exposure to error, fraud, noncompliance, and other abuses of State resources.

While we found weaknesses in the design and operation of statewide and agency-specific controls, we did not identify evidence of fraud or significant abuse in the transactions tested. We did find instances of noncompliance with policies and procedures related to the audit objectives and indications that employees, in taking advantage of certain policies, may have received reimbursement amounts that exceeded their actual incurred reimbursable costs.

The appendix to this report beginning on page 35 summarizes certain data related to the State's disbursement of non-wage payments to employees during the nine months ended March 31, 2018.

## **BACKGROUND**

The State's integrated financial accounting and reporting system, NHFirst, is the primary system for processing, recording, and reporting financial transactions, including reimbursements and other non-wage payments to State employees. According to NHFirst data, during the nine months ended March 31, 2018, State agencies (not including the Legislative Branch) disbursed approximately \$4.3 million in non-wage payments to employees: paid either by separate check processed through the NHFirst accounts payable (AP) module; or by additional amounts

included with an employee's biweekly pay processed through the NHFirst payroll module. Approximately \$3.8 million, or approximately 90%, of these payments were travel reimbursements. Depending upon position and applicable Collective Bargaining Agreement (CBA), an employee may also be reimbursed for other job-related expenses such as training, education, clothing, and laundering services. In addition to reimbursement of expenses, during the audit period, the State made non-wage payments to employees in settlement of legal claims brought by the employee against the State or an agency of the State.

Reimbursements to Executive Branch employees for travel, meal, and lodging expenses are governed by MOP Sections 1300 and 1100, Reimbursement of Travel, Meals, and Lodging Expenses, issued in accordance with RSA 21-I:14, I (b) (7), and provisions of applicable CBAs. Reimbursements to Judicial Branch employees are governed by Judicial Branch Travel Policy 4.1 and 4.2 of the Court Financial Policy Manual, as well as applicable CBAs.

#### Method Of Reimbursement – Executive Branch Employees

Most Executive Branch employees complete an appropriate DAS-issued travel reimbursement request (TRR) form to receive reimbursement for business related travel expenses. Form A-4M (State of New Hampshire Payment Voucher – In State Travel) is used for reimbursement of in-state mileage, toll, and parking expenses, with payments to employees made either in an additional amount included in the employee's biweekly pay or in a separate paper-check disbursement. Form A-4 (Out-of-State Travel Form) can be used to report in-state travel expenses as well as all travel expenses including meals, lodging, common carrier, and miscellaneous travel expenses, for both in and out-of-state travel, with payments to employees made in a separate paper-check disbursement.

In-state mileage expense information for certain Department of Transportation (DOT) employees is not submitted using either Form A-4M or A-4 but instead is input by supervisors into the DOT "MATS" information system. The information entered into MATS, and subsequently uploaded into the NHFirst payroll module, does not contain detail on the travel start and end points or include an employee certification as to the accuracy of the claimed mileage. Payment to these DOT employees is made as an additional amount included in the employee's biweekly pay.

There are no standard State-wide forms or procedures for other types of employee reimbursement expenses. As a result, requests for reimbursement of nontravel expenses may be handled differently by each agency.

#### Method Of Reimbursement – Judicial Branch Employees

Most Judicial Branch employees complete a TRR form issued by the Administrative Office of the Courts (AOC) to receive reimbursement for business-related travel expenses. Court Clerks enter reimbursable travel expenses for some Judicial Branch officials based on court schedules directly into the Judicial Branch Scheduling System, which then interfaces with NHFirst.

For the nine months ended March 31, 2018, the State reimbursed \$845,132 of in-state travel expenses and \$181,789 for other reimbursable expenses, including clothes and tool reimbursements and allowances authorized by CBAs, to State employees via the State's NHFirst payroll process (excluding the Legislative Branch employees).

The State made approximately \$3.3 million of non-wage payments by separate checks to State employees (excluding Legislative Branch employees) during the nine months ended March 31, 2018.

The State's criteria and policies and procedures for claiming reimbursement of travel, meal, and lodging expenses are contained in the Department of Administrative Services (DAS) Manual Of Procedures (MOP), the Judicial Branch AOC's Court Financial Policy Manual, and the current CBAs. Additionally, the CBAs describe other instances where employees can claim reimbursement of/receive an allowance for certain other job-related expenses. However, the State's MOP and the AOC Court Financial Policy Manual do not appear to provide guidance or policies and procedures for processing employee claims for reimbursement of nontravel-related expenses.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### Audit Objectives

1. Assess the State's internal controls related to employee non-wage payments, including internal control components of control environment, risk assessment, control activities, information and communication, and monitoring, by assessing the State's and agencies' policies and procedures for the establishment, maintenance, and operation of an effective control system over those payments.
2. Assess the adequacy of the design of internal controls over non-wage payments at both the Department of Administrative Services, as the operator of NHFirst, and at a sample of user agencies.
3. Assess establishment/implementation of internal controls as designed.
4. Assess the operation of the internal controls, including:
  - Functional compliance with written policies and procedures, laws, and rules related to the non-wage payments to employees.
  - Functional compliance with stated (but not necessarily documented) policies and procedures related to non-wage payments to employees.
  - Adequacy of separation of duties and responsibilities for controls over non-wage payments to employees.

### Audit Scope

The scope of our audit included the internal controls over reimbursements and other non-wage payments to Executive and Judicial Branch employees, including centralized controls at the Department of Administrative Services and controls at State agencies initiating payments.

The audit period was July 1, 2017 through March 31, 2018.

## Audit Methodology

1. Interview Department of Administrative Services personnel.
2. Review Department-based control documentation, including:
  - Policies and procedures, and
  - Documentation of systems, applications, forms and instructions, and other relevant information.
3. Review laws, rules, regulations, and policies and procedures related to non-wage payments to employees, including:
  - State statutes,
  - New Hampshire Administrative rules,
  - State-wide policies and procedures,
  - Agency-based general and specific policies and procedures for non-wage payments, and
  - Collective Bargaining Agreements.
4. Interview DAS and user-agency personnel, as necessary.
5. Review agency documentation and processes at agencies related to sampled transactions, including:
  - Policies and procedures,
  - Documentation of systems, applications, forms and instructions, and other relevant information, and
  - Operating processes in place.
6. Review the design and operation of internal controls through tests of transactions, including:
  - Random samples of travel-related and nontravel-related transactions, and a
  - Review of additional judgmentally-selected transactions.

### **PRIOR AUDIT**

There are no prior audits that specifically addressed internal controls over non-wage payments to State employees.

## FINDINGS AND RECOMMENDATIONS

### Observation No. 1: Strengthen Internal Controls

*Observation:*

Sufficient attention and resources have not been applied to establishing and maintaining effective internal controls over non-wage payments to employees. Weaknesses in the design and operation of controls at DAS and other State agencies puts the achievement of management objectives, including efficient and effective State operations, at increased risk.

Internal control is defined as a process, effected by an entity's management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.<sup>1</sup> Internal control consists of the five interrelated components of control environment, risk assessment, control activities, information and communication, and monitoring activities. The components are linked, and can and will impact each other, and all are required for an entity to maintain effective internal control over its activities.

Internal controls affecting non-wage payments to employees are centered at the Department of Administrative Services (DAS) and at other State agencies.

While Executive Branch agencies are required to adhere to policies and procedures in the *DAS Manual of Procedures*, Judicial Branch employees must adhere to procedures/criteria as set forth in the *Court Financial Policy Manual*.

The distributed and disparate nature of the processes used by user-agencies to initiate and process non-wage payments to employees makes an effective internal control system at DAS and agencies imperative, in order to lessen the risk that errors or frauds will occur and go undetected and uncorrected. Travel and expense reimbursement are the most common non-wage payments made to employees; therefore, it should be recognized that minor fraud and abuses perpetrated by employees of travel and related expense reimbursements often leads to an environment where more significant fraud and abuse occurs.

The following four observations provide specific examples of deficiencies in each of the five generally recognized interrelated components of internal control:

- Control environment,
- Risk assessment,
- Control activities,
- Information and communication, and
- Monitoring activities.

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<sup>1</sup> Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control-Integrated Framework*, May 2013, page 1.

*Recommendation:*

DAS, in conjunction with the agencies, should strengthen the controls over non-wage payments to employees by appropriately engaging all components of internal control into their operating activities. DAS and the agencies should ensure that sufficient resources and attention are applied and demonstrated to establish and maintain effective controls to aid the State in reaching its objectives for efficient, effective, and controlled expenditures.

The strength of controls should be based on assessed risk, business needs and objectives, priorities, and availability of resources. While available resources and competing needs limit management's capacity to actively manage the program, well designed and routinely performed controls can help mitigate the risks of uncorrected misuse, abuse, or frauds that could occur.

*Department of Administrative Services Response:*

The Department of Administrative Services ("DAS") concurs. There is always an opportunity to revisit and strengthen internal controls over any financial process, especially in light of operational practices that change over time at the agency level. The State's decentralized nature of processing disbursements lends to the distributed and disparate nature of processes used at agencies. The Manual of Procedures developed by DAS is one method of providing a level of oversight and consistency in practice, however, as emphasized throughout this document, enforcement of policies and procedures must begin at the agency approval level.

**Observation No. 2: Expand And Clarify Employee Reimbursement Policies And Procedures**

*Observation:*

Management has not established and enforced controls, in the form of well-communicated, clearly-designed, comprehensive, and consistent policies and procedures, supporting the State's processing of reimbursements and other non-wage payments to employees. The result is inconsistency in agency operations that increases the risk that the State's control objectives will not be realized.
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Control activities are the actions established through policies and procedures that help ensure management's directives to mitigate risks to the achievement of objectives are carried out. Controls are categorized as preventative or detective in nature, and may include a range of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. Controls are generally responsive to management's operational objectives and other criteria, and to be most effective, should be clearly and consistently communicated to, and recognized by, employees involved in the respective processes and activities. The audit noted that due to inconsistent regulatory criteria, the use of universal policies and procedures is problematic and results in policies and procedures that apply to some agencies and situations and not others. As a result, instances were noted

during the audit where some agencies and employees appeared to have opportunities for reimbursement of expenses that other agencies and employees did not have clear access to.

RSA 21-I:14, I charges the Department of Administrative Services (DAS) with the responsibility of establishing a “comprehensive and uniform system of state financial management” in the form of a manual to be updated and revised as the commissioner of administrative services deems necessary. RSA 21-I:14, I (b)(7) and (8) further direct the manual to cover reimbursement of travel, meals, and lodging, as well as staff development. The manual, known as the Manual of Procedures (MOP), applies to all Executive Branch agencies.

The lack of clear and consistent policies and procedures has resulted in many of the controls intended in the design of the MOP being less effective than envisioned, with inconsistent control application and follow-up on the results of the control activities that are performed.

During our review, we noted the MOP, with respect to reimbursement payments to employees, was not sufficiently detailed to promote consistent application of State policy and procedure across all Executive Branch agencies; was in certain places inconsistent with State statutes, Collective Bargaining Agreements (CBAs), and other incorporated policies and procedures; or was otherwise silent with respect to common employee travel practices, as described in the sections below.

*1.) Reimbursement Of Call-Back Commuter Mileage*

MOP 1105 (K) allows for the reimbursement of commuting miles in the event an employee is required to report to his/her official headquarters on either a scheduled day off or weekend day without prior notice, and aligns with SEA SEIU Local 1984 CBA Section 19.5 which provides for portal to portal mileage reimbursement for employees when on a call back. However, the language contained in both the MOP and the CBA is not consistent with RSA 4:15 which prohibits reimbursement for employee travel between their residences and department offices. Fourteen out of a sample of 100 reimbursements paid through the State’s payroll system, and one out of a sample of 100 reimbursements paid via check, involved claims for call-back commuter mileage. As a result of the inconsistencies between the RSA 4:15 and the State’s established policies and procedures as prescribed in MOP Section 1105, we are unable to make a clear determination as to whether the 15 reimbursements of apparent call-back commuter mileage were allowable. (Also see Observation No. 8 regarding tax treatment of employee call-back mileage reimbursements.)

*2.) Commuting Miles*

MOP 1105 (J) requires the deduction of commuting miles should an employee pass through their official headquarters while on a business assignment traveling directly to an assigned work site. This section conflicts with CBA sub-unit agreements Articles XXV, Section 25.1 and XXXIV, Section 34.1, which provide for portal-to-portal reimbursement for employees when on agency business. The conflicting language between the MOP and the CBA sub-unit agreements allows employees of certain departments to be eligible to obtain reimbursement of more mileage expense than employees of other State departments, including mileage through the location of their official headquarters.

- During testing, we noted three instances where employees subject to the sub-unit agreements were reimbursed portal-to portal mileage, which included travel through the location of their official headquarters.
- Audit testing also identified an instance where an employee was reimbursed mileage at a rate in excess of the standard, Internal Revenue Service (IRS) established, mileage rate. Upon auditor inquiry, it was determined that the employee was reimbursed at a higher rate to reflect the employee was required to haul a trailer with the employee's private vehicle as part of the employee's responsibilities. While there was no specific policy addressing the additional mileage amount, the agency did provide a copy of an interdepartmental email discussing the rate additive.

### 3.) Meals And Incidentals

MOP Section 1106 covers the State's meal reimbursement policy. The following inconsistencies and ambiguities were noted with respect to reimbursement of employee meals.

- a. MOP 1106 (c) specifies that an employee may be reimbursed, without receipts, for authorized meals purchased, including tax and gratuity, in an amount not to exceed the amount set forth in the current CBA. MOP 1106 (b) further states that "the time of departure and return of the employee while on out of state travel status will be considered in the final determination of eligible meal reimbursements." The MOP does not provide guidance as to how departure/return hours should be considered when reimbursing meal expenses on first and last days of travel. Applicable CBAs specify that for out-of-state travel, employees shall be reimbursed for meals at rates consistent with the General Services Administration (GSA) travel per-diem rates, which require the first and last calendar day of travel to be calculated at 75 % of the full-day rate (41 CFR 301-11.101). DAS has reported that due to the apparent lack of consistency between the MOP and CBA, agencies have been allowed to use either process, as long as the agency is consistent. As a result, application amongst State agencies is inconsistent. During testing, we observed certain agencies were adhering to the 75% of per-diem amount on first and last date of travel, as prescribed by GSA requirements, while other agencies were allowing employees to request the full GSA per-diem amount on first and last travel days upon notation of starting and ending employee travel times. We reviewed 100 expense reimbursements paid via check, including 36 where reimbursement of travel-related meals was requested. Of these 36, we identified ten instances (28% of meal reimbursements tested) where employees were reimbursed in excess of 75% of the applicable GSA per-diem amount in effect at the time of travel, for the first and last days of travel.
- b. In addition to the MOP, DAS reports that it also uses the DAS Administrative Handbook, revised 2006 (Handbook), as guidance when reviewing employee travel reimbursement requests. The Handbook is more restrictive than the MOP with regards to in-state travel, and specifies that "the evening meal shall be reimbursable on the first day of authorized travel and on the day of return only breakfast and lunch will be allowed." However, it is not clear the document has been effectively communicated to the agencies responsible for initiating employee reimbursements. During testing, we noted one instance, out of three in-state meal reimbursement transactions tested, where an employee requested and was

reimbursed \$15 for lunch on the first day of travel, without documentation of extenuating circumstances, contrary to the DAS Administrative Handbook.

- c. The MOP and the CBAs are silent with respect to whether the \$5 per day incidentals included in the GSA per-diem reimbursement amounts are to be included in amounts reimbursed to State employees. While testing revealed that employees at most agencies were not including the GSA's \$5 per-day incidental amount in their requests for travel reimbursement, at least one agency had instructed its employees to add the \$5 to the broken-out amount for dinner, resulting in employees of that particular agency receiving an additional \$5 per travel day in reimbursement which was not generally available to all other State employees. The agency reported that it had been reimbursing its employees in this manner for at least the past few years, based on guidance from agency management.
- d. MOP 1106 (F) prohibits the reimbursement of meals when included within the lodging fee or included as part of the registration fees for a conference, workshop, or training session. The section does not provide for how exceptions to the policy, for reasons such as dietary restrictions, or meal times conflicting with work/training times are to be handled. Of the 36 Travel Reimbursement Requests (TRR) tested which requested reimbursement of meals, we noted six instances (17%) where employees were reimbursed the GSA per diem meal allowance for meals which appear to have been included within either the hotel lodging fee or the registration fees for the conference, workshop, or training session. Supporting documentation attached to the TRR did not include an explanation of why employees were claiming reimbursement for meals that appear to have been available and included in the lodging fee or cost of the conference.
- e. The policy objective in MOP Section 1106 and the CBAs, describing the State's meal reimbursement policy, is not clear regarding whether the GSA per-diem amount is a meal allowance, or a maximum up to which the cost of meals will be reimbursed without a receipt. Testing revealed the per-diem is currently operating as an allowance, as the overwhelming majority of TRR forms requesting reimbursement of meal expenses requested the full GSA per-diem meal amount. The expenditure sample included 36 travel forms that requested meal reimbursements without receipts. In only one instance was the amount of reimbursement requested for a meal less than the GSA per-diem amount. The reimbursement for all other meals tested were at the full GSA amount.

#### 4.) Non-Meal Tips And Gratuities

MOP guidelines for reimbursement of non-meal tips and gratuities are not clear. MOP 1107 (G) states, "the maximum allowable daily non-meal tip allowance shall be \$3.00 per day and is to be used at the employee's discretion for business related services (Examples: maid service, concierge service, bell hop or valet service)." However, this requirement is included within the MOP's Lodging Reimbursement Policy sub-section, and based on the examples provided, it is unclear whether it applies only to lodging related services, all non-meal tips and gratuities, or only non-receipted tips and gratuities. Additionally, MOP 1106 (D) limits meal gratuities to 15%. However, there is no similar discussion of gratuity limits for other types of services utilized, such as for cab/car fare, shuttle, or van services, etc. Therefore, it is unclear whether these types of documented tips and gratuities should be subjected to a similar 15% limitation.

- Testing revealed six instances in which reimbursement was made for claims of non-receipted tips in excess of, or receipted tips in addition to, the \$3 per day non meal tip allowance prescribed by MOP 1107 (G).

5.) Lodging

MOP 1107 (A) authorizes lodging expenses for travel that is at least 50 miles away from the employee's official headquarters **and** the employee's residence. This section conflicts with the DAS Administrative Handbook and certain CBA sub-unit agreements (*Banking Department*) which specify the destination of the stay is at least 50 miles away from the official headquarters **and/or** residence. The "and/or" language per the CBA allows for travel expenses of employees of certain departments to be reimbursed differently than all other State employees.

- During testing, we noted one instance where an employee was reimbursed for a four night hotel stay, and associated meal per diems for five days, for travel to Hooksett, N.H. Although the hotel is greater than 50 miles from the employee's residence, it is less than 20 miles from the employee's headquarters. Total travel reimbursement claimed for the trip amounted to \$837, of which approximately \$747 related to reimbursement of hotel, meals, and tips.

6.) No Guidance For Common Travel Practices

The MOP does not address common employee travel practices, such as the extension of business related travel for personal reasons, and the use of vacation rentals such as Airbnb (on-line bed and breakfasts) and VRBO (vacation rentals by owners) as lodging. During testing, we noted one instance where the employee traveled to the training destination several days in advance of the start of the training. The employee utilized a VRBO for lodging, rather than a traditional hotel stay, and prorated the total cost of the vacation rental in order to only claim expenses for the rental associated with days spent at training. While the cost of the vacation rental appears comparable to hotel charges for other employees attending the training, the reimbursement to the employee was initially made solely on the basis of an emailed price quote. The documentation did not include a property description, address, detail what was included, nor did it indicate that payment had been made. Subsequent to auditor inquiry, the agency obtained a copy of a receipt showing payment information.

7.) Inadequate Travel Reimbursement Request Forms

The design of the forms used by the State to reimburse employee expenses do not appear conducive to capturing necessary information. The State uses two forms for reimbursement of employee travel related expenses: a travel reimbursement request (TRR) form limited to requesting in-state mileage, tolls, and parking; and a general TRR for requesting reimbursement of any in and out-of-state travel expenses.

- There are no clear sets of instructions to aid the preparer in the completion of the forms. While the general TRR form includes a reference to MOP 1100, the short list of instructions provided are vague, not comprehensive, and do not address common travel items, such as documentation necessary and accounts to be used for requesting reimbursement for baggage fees, cab-fare, parking expenses, call-back miles, etc. The

limited in-state mileage reimbursement form does not include any instructions, or reference to established travel policies and procedures per MOP 1100. Additionally, the forms do not appear to be designed to collect and report on the reimbursement of commuter miles to employees on call-back status, in order to enable the State to comply with MOP 1102 (D)4, which specifies a different tax treatment for reimbursement of call-back miles.

The lack of policy and procedure guidance in completing TRR forms likely contributed to disparate treatment of travel expenses reported on the forms. For example, miscellaneous expenses such as baggage fees, parking, cab-fare, etc., were not consistently recorded to the same accounts. In some instances airline baggage fees were recorded to NHFirst account “500717 – miscellaneous”, rather than the more commonly used “500710 – common carriers” account. Similarly, parking expenses and cab/car fare expenses were inconsistently recorded using either the “500710 – common carriers” or “500717- miscellaneous” accounts. The lack of clear guidance on how to classify and record these types of expenses for reimbursement, combined with the fact that there are no specific NHFirst accounts to record and report these expenses, makes monitoring the expenses difficult.

- Testing revealed two instances in which mileage claimed on the TRR, exceeded our recalculation of mileage by greater than 20%. For these claims, we were unable to determine the validity of the miles traveled and the propriety in dollar amount paid, because the completed travel form did not provide sufficient information to determine the mileage for all reported trips that took place. A large portion of the discrepancies appeared to be related to claims which were essentially “vicinity” mileage (mileage driven in/around destination) that were not sufficiently documented to allow determination of the accuracy of the reimbursement request.

8.) No Standard Policies and Procedures, Process Or Form For Reimbursement Of Non-Travel Related Expenses/Non-Payroll Payments

- a. The MOP is silent with regard to reimbursement of employee expenses other than those relating to travel, meals, and lodging. There are no formal policies and procedures for reimbursement of general employee expenses (other than travel-related expenses) which specify required supporting documentation, timeliness for submission, and payment of requests.
  - As a result, reimbursement of these types of expenses is varied. In some instances, reimbursement was made based solely on submission of a receipt/invoice indicating prior payment, while other employees requested reimbursement by reporting the expenses in the “miscellaneous” column on the general TRR form, attaching supporting documentation, and hand writing an appropriate NHFirst expense account on the header page of the form.
- b. We selected a sample of 21 employee non-payroll and non-travel related payments, paid in conjunction with the bi-weekly payroll direct deposit. Of the 21 payments selected, seven related to one particular agency. Review of these seven payments revealed the following:

- Two instances for reimbursements of equipment, as provided for by Section 18.24 of the NEPBA 265 CBA, were recorded to a NH First account used to record clothing expenses. It appears that employee payments made in relation to Section 18.24 of the NEPBA 265 CBA are recorded to the clothing account, regardless of whether or not items purchased included equipment.
- In one instance, a retiring employee ordered, and was reimbursed for, \$550 worth of clothing and equipment, within six weeks of the end of his employment. It is not clear whether the purchased and reimbursed items were intended for the employee's use in State service. Additionally, at least one of the clothing items purchased did not clearly align with Department policy.

NEPBA Local 265 CBA, Section 18.24, Clothing/Equipment Allowance, states "Each Unit Employee shall receive a clothing and equipment reimbursement of up to \$550 from the Employer." The section further directs the Labor Management Committee to develop guidelines regarding acceptable expenditures, forms, requests, and payments, and states that all clothing and equipment purchased shall remain the property of the employee. The section does not specify the frequency of the payment, nor does it address how the payment should be handled for terminating employees. Additionally, the section refers to the payment as both an allowance and a reimbursement, making the intent of the payment unclear. Policy and Procedure implemented by the agency result in the payment effectively operating as a reimbursement.

9.) *Designation Of Employee's Residence As Official Headquarters*

MOP 1101 (I) states, "in no instance shall an employee's residence be deemed the official headquarters for the employee without prior written approval of the department head." Testing of 100 employee reimbursements paid in conjunction with the State's bi-weekly payroll revealed 14 Department of Safety (DOS) employees who submitted for reimbursement of in-state mileage traveled, on the basis of their residence as headquarters, including two employees who reside outside of the State of New Hampshire. In support of the tested transactions, DOS provided a copy of a 2010 intra-departmental email string discussing the DOS practice of identifying the fire academy instructors' residences to be their headquarters for travel purposes, and reimbursing the instructors' mileage, portal-to-portal, for their travel to and from their home headquarters to the training location, even when instructing at the Fire Academy in Concord. It is not clear the provided email communication is sufficient evidence of established DOS policy and procedure, or that the email meets the requirements of MOP 1101, as the email speaks to instructors in general, rather than identifying individual employees. It is also unclear whether the practice was authorized by the appropriate level of DOS management.

The absence of clear and consistent design, documentation, and application of control policies and procedures results in the following:

- Employees are not provided clear and consistent guidance for submitting requests for reimbursement of expenses,
- Employee expense reimbursement requests are not consistently processed by all Executive Branch State agencies,

- Employees are not equitably reimbursed for similar expenses, and
- Employee reimbursements are at higher risk for error, fraud, and abuse that could occur and go undetected and uncorrected during the normal course of business.

*Recommendation:*

DAS should strengthen the State's controls for processing reimbursements and other non-wage payments to employees. DAS should establish clear, consistent, and comprehensive policies and procedures that adequately address the risks inherent in reimbursing employees for covered expenses, including travel expenses.

Current policies should be reviewed and revised as necessary to address vague, inconsistent, obsolete policy language (e.g. references to proving mileage by odometer or mileage maps versus online travel mapping sites). Once revised, the new policies should be made available to all staff and officials. Mandatory training, such as online video training, should be provided on the revised policies to ensure those completing and submitting requests and those processing requests receive the same level of explanation and detail on approved policies and procedures. Agencies should then develop clear practices to ensure consistent application of the policies.

*Department of Administrative Services Response:*

DAS concurs in part. DAS believes the Manual of Procedures (MOP), sections 1300 and 1100, provides the basic requirements of the state in terms of reimbursable travel and related expenditures, and the travel reimbursement request (TRR) forms are an adequate means of capturing the detailed items required in order to approve payment. However, we concur that over time, certain provisions of the MOP have become outdated or inconsistent with separately agreed upon provisions of the collective bargaining agreements. DAS is in the process of revising section 1300 of the Manual of Procedures and expects this revision to address several of the specific concerns noted throughout this observation. This will be an ongoing process, but will continue to be heavily reliant on agencies disseminating this information and training both the employees that travel and the supervisors that approve the expenditure reimbursement requests. DAS's Division of Personnel will evaluate the best method of offering employee training in this area.

While DAS has formal audit requirements for "Travel Vouchers" we concur that other non-wage payments to employees may not receive the same level of scrutiny. If processed through the AP module, these payments are overseen through agency payment controls, similar to any accounts payable vendor payment. If processed through the Payroll module they are subject to agency level payroll supervision. DAS will consider if additional, centralized monitoring activities are necessary for non-travel employee reimbursements.

### Observation No. 3: Improve Monitoring Of Control Activities

*Observation:*

The State's control monitoring process has not been properly developed and maintained to ensure that controls are in place, operating effectively, and remain sufficient to reasonably ensure reimbursement and other non-wage payments to employees are accurate and in accordance with State policy.

Monitoring activities assess whether each of the five components of internal control are present and functioning and involves regular and/or separate evaluations by appropriate personnel of the design and operation of the controls; and taking necessary actions to ensure controls remain responsive to changes in risks and are operating effectively. Without effective monitoring of controls, a false sense of assurance can result if controls assumed to be effective prove otherwise. The following sections of this observation illustrate examples where controls over employee expense reimbursements and other non-wage employee payments were not effective to ensure compliance with established State policies and procedures.

Audit testing of a random sample of 100 non-wage paper-check payments to employees revealed numerous inconsistencies and exceptions to established State policies and procedures. Issues noted included employees' improper completion of TRR forms and reviewers failing to detect and correct minor inconsistencies and other potentially questionable claims. The volume and range of discrepancies with established policies noted in paid claims are indicative of a lack of an effective control monitoring process.

*1.) Improper Completion Of Travel Reimbursement Request (TRR) Forms*

- a. In one instance, out-of-state mileage was erroneously reported as in-state mileage, leading it to be recorded in the incorrect NHFirst (State-wide accounting system) account.
- b. In two instances, TRR forms were not dated by either the employee, preparer, approver, or some combination of the three, leaving auditors unable to determine whether the forms were timely submitted and/or reimbursed. [Note: Also see Observation No. 6, regarding untimely submission and reimbursement of TRRs.]
- c. In one instance, the first page of the TRR, which is used to break out employee travel expenses into the appropriate travel accounts, was not completed. Additionally, the form was undated, and employee headquarters and approval signature sections were incomplete.
- d. In one instance, round-trip miles traveled were reported as one-way travel on the TRR, leading to confusion in determining whether reported mileage was appropriate.
- e. In one instance, significant discrepancies were noted between travel dates reported on the TRR and dates reported on the accompanying training certificate and hotel invoice. The TRR reported travel as having occurred in October 2017, while the training certificate and hotel invoice showed travel occurring in December 2017. Follow-up with the responsible agency confirmed that the employee's travel occurred in December 2017.

- f. In one instance, the TRR included a claim for parking fees greater than \$5, as a lump sum amount, without associating the fees with individual travel dates. Notations on the form indicated the charge related to fees for multiple days. MOP 1105 (H) requires the submission of receipts for parking expenses exceeding \$5. As a result of improper completion of the form, we were unable to determine whether the reimbursement of parking fees complied with this requirement.

2.) Ineffective Review Of TRR Forms:

- a. In three instances, reimbursement of employee travel expenses, or portions thereof, were attributed to the incorrect fiscal year.
- b. As previously discussed in Observation No. 2, MOP 1106 (F) prohibits the reimbursement of meals when included within the lodging fee or included as part of the registration fees for a conference, workshop, or training session. During testing, we noted six instances where employees were reimbursed the full daily GSA per-diem meal allowance for meals which appear to have been included within either the hotel lodging fee or the registration fees for the conference, workshop, or training session attended. Supporting documentation attached to the TRR did not include an explanation of why the employees were claiming reimbursement for meals that appear to have been available and included in the lodging fee or cost of the conference.
- c. In one instance, a TRR included claims for reimbursement of tolls at other than the EZ-Pass rate (lowest available rate) without submission of associated receipts, contrary to MOP 1105 (G).
- d. In one instance, a TRR included a claim for reimbursement of baggage fees in connection with air-travel, which was not supported by a receipt, contrary to MOP 1103 (B).
- e. In one instance, an employee submitted for, and received, reimbursement for claims of lodging expenses based solely on a hotel charge shown on a credit card statement, contrary to MOP 1103 (B) and 1107 (F). As a result, we were unable to determine whether the hotel charge included other unallowable charges such as room upgrades for friends/family, room service, or other costs incurred solely for the convenience or enjoyment of the employee.
- f. In one instance, a settlement payment to a terminated employee for approximately \$34,000, was improperly recorded to a NHFirst account used to record current expenses, rather than a settlement payment account. In addition, the payment does not appear to have been appropriately authorized by the Department of Justice, in accordance with RSA 99-D:2. (See Observation No. 10 for more detail)
- g. In one instance, an employee was reimbursed for meals that were not associated with an overnight stay, contrary to MOP 1106 (A).

3.) Reimbursement Of Expenses Potentially Incurred Solely For Convenience Or Enjoyment Of Employee

- a. In one instance, a TRR included a claim for reimbursement of Uber fare to travel to lunch from the employee's hotel. As there was a restaurant located within the hotel, and several other restaurant choices available within walking distance, it is not clear that such a claim is eligible for reimbursement, in accordance with MOP 1102 (G), which prohibits reimbursement of costs incurred solely for the convenience or enjoyment of the employee.

- b. In one instance, a TRR included a claim for van service to/from airport, even though it appears bus service, which is a substantially cheaper option, was available at the time from the same town as the employee's chosen "pick-up point" for the van service. There was no documentation with the TRR describing any extenuating circumstances that would have made use of the bus service impractical. It is not clear that this claim is allowable in accordance with MOP 1102 (G) (discussed above) or MOP 1104 (E), which directs employees to seek out the least expensive modes of transportation when getting to and from airports.

In addition to the apparent ineffective controls over non-wage payments made to employees by check via the NHFirst AP module discussed above, we also noted that the State's process to reimburse employees for in-state mileage, tolls, and parking expenses through the payroll system is not structured to promote effective controls. While employee expense reimbursements/non-wage payments generated via the NHFirst AP module, and paid via check, flow through an electronic process-flow approval process which includes a final review and approval provided by the DAS Bureau of Accounts, this monitoring control is not applied to reimbursements made through the payroll system, which are either initially keyed into a sub-system that subsequently interfaces with NHFirst, or manually keyed into NHFirst by agency payroll staff. While TRR forms generally are completed to support an employee's claim for reimbursement, that is not always the case. Testing of a random sample of 100 reimbursements paid via the payroll system revealed that the support for many mileage claims at one particular agency (69 out of 100 tested) was as little as scratch notations in supervisor diaries. As a general practice for payments through the payroll system, supporting information, if available, is not scanned into NHFirst and is not accessible for an online review and approval by DAS Bureau of Accounts staff. Because these payments are not subject to DAS Bureau of Accounts review, there is an increased risk that reimbursements paid through the payroll process are not consistent with established State policy. Approximately 24% of employee expense reimbursements/non-wage payments are processed through the State's payroll system.

This issue is similarly discussed in Observations No. 7 and No. 9 relative to payment practices at the Department of Transportation and the Judicial Branch.

Ineffective review and approval controls compounded by ineffective monitoring controls increase the risks that:

- Employee expense reimbursements and other non-wage payments may not be processed in a manner consistent with established State policies and management's objectives and intentions and
- Errors, frauds, and significant abuse may occur and not be detected and corrected timely through the normal course of business.

*Recommendation:*

DAS and agencies should ensure that sufficient resources and attention are applied to the establishment and maintenance of effective controls, including review and approval controls, related to reimbursements and other non-wage payments to employees.

The State should improve its control monitoring activities to ensure that agencies have processes in place to promote adherence to State-wide statutes, rules, policies, and procedures controlling travel reimbursements and other non-wage payments to employees. DAS should also ensure that agencies have established appropriate agency-based controls supported by policies and procedures that promote and support adherence to the State-wide guidance. DAS and the agencies should strengthen their control monitoring efforts to ensure that controls in place remain sufficient to meet the control's objective and are operating as designed. Appropriate levels of management at DAS and the agencies should be notified of, and respond timely to, instances of noncompliance and other issues identified through the operation of the controls.

DAS should evaluate the current process of utilizing the payroll system as a means to reimburse employees for in-state travel expenses to identify whether additional controls are necessary to ensure the accurate and timely processing of employee expense reimbursements in accordance with established State policies.

*Department of Administrative Services Response:*

DAS concurs in part. Disbursements are routed to the Division of Accounting Services auditors, after agency approvals have taken place, therefore, the ultimate recourse for DAS is to reject the employee reimbursement payment. While there is routinely communication between the Division of Accounting Services and agencies to correct any noted calculation or coding errors, in most cases deviations from state policy are detected after the travel has occurred. There is no formal mechanism in place to notify agency management of these instances of non-compliance among employees and their supervisors. While we do not concur that controls over payments are ineffective, DAS concurs that we should evaluate our monitoring activities and consider the need for a more formal agency notification process in instances of non-compliance.

DAS concurs that the process in which certain agencies utilize the payroll system as a means to reimburse employees for in-state travel expenses may not be effective. DAS will evaluate this practice to determine if enhancements in our current payment systems could eliminate the need for utilizing the payroll system and provide consistency among all Executive branch agencies.

**Observation No. 4: Establish A Formal Risk Assessment Process**

*Observation:*

The State has not required, or effectively encouraged agencies, including DAS, to establish and perform a formal risk assessment process for their operations, including risks associated with non-wage payments to employees. No agencies contacted in this audit reported performing a formal risk assessment covering risks associated with non-wage payments to employees.

Risk assessment is a process for identifying, assessing, and responding to risks related to the achievement of management's objectives. A prerequisite to an effective risk assessment is the

establishment and recognition of objectives and the risks that may put achieving those objectives in jeopardy.

An effective risk assessment process is the foundation for the development and implementation of effective and efficient controls intended to eliminate, mitigate, or otherwise manage identified risks. A formal and well planned risk assessment process increases the likelihood that the appropriate balance between the costs and benefits of controls can be understood and become the basis for controls put into operation. Without a risk assessment process, the identification and response to risk often occurs in a reactive mode, after a risk has been realized and a loss incurred.

Risks change over time with changes in processes and environment and controls intended to mitigate risk may become inefficient and ineffective. Management needs to periodically review operations and those processes and controls intended to mitigate risk to ensure the processes and controls remain appropriately designed to address risk's changing profile.

*Recommendation:*

DAS should establish a formal and documented risk assessment process to continuously review operations, including non-wage payments made to employees, for exposure to risk, and to plan for and reasonably respond to identified risks through risk elimination or mitigation. This formal process would also aid in determining and documenting whether the acceptance of the risks in the operation of the program continues to coincide with DAS and the State meeting their objectives for their operations.

As part of that risk assessment and response to risk, DAS should require participating agencies to also perform and document a risk assessment of their financial operations, including whether the acceptance of the risks continues to coincide with the agencies meeting their operating objectives.

*Department of Administrative Services Response:*

DAS concurs. While a formal risk assessment has not been documented, DAS has recognized the need for higher scrutiny of employee travel and related expense reimbursements, which represent the vast majority of non-wage payments to employees. This is evidenced by MOP 2700, which requires all travel reimbursements be audited by the Division of Accounting Services prior to payment. Several risk factors have been identified and the DAS auditors utilize a checklist of items to ensure agencies are complying with the travel reimbursement policies outlined in the various sections of the DAS Manual of Procedures and Collective Bargaining Agreements. DAS will work to formalize our risk assessment to include both travel and non-travel employee reimbursements through the use of our Internal Control/Risk Assessment toolkit developed by the Division of Accounting Services.

## **Observation No. 5: Improve Information Sharing And Communication**

### *Observation:*

Limitations in communication and information sharing between DAS and the agencies and within the agencies have hampered the controlled disbursement of non-wage payments to employees.

Due to the range of inconsistencies with established State policies and procedures identified in the employee non-wage payments reviewed, it appears that neither the employees submitting the requests for reimbursement of expenses, nor the agency staff responsible for the review, approval, and payment processing of those requests have a strong awareness of, or familiarity with, all of the applicable criteria governing such payments. The lack of a strong information and communication system is evidenced by (but not limited to) the following circumstances, as discussed in Observations 2, 3, and 6 of this report:

- 1.) Employees' frequent untimely submission of expense reimbursement requests,
- 2.) Agencies failure to provide reimbursement in a timely manner,
- 3.) Noted difficulties in proper completion of the TRR, and
- 4.) Agencies inability to complete an effective review of the submitted TRR.

Information is necessary to carry out internal control responsibilities to support the achievement of objectives. Communication of operational information is a critical element of all program controls. Communication of objectives, compliance criteria and other requirements, policies and procedures, and how operations meet those criteria is necessary for ensuring operations meet management's intentions for those operations.

Establishing effective communication and sharing of information is especially important when instituting a program utilized by a number of agencies, to ensure that all entities participating in the program are aware of and responsive to their responsibilities, and are able to react timely and appropriately to the recognition of risk and other changing conditions.

### *Recommendation:*

DAS should improve its information sharing and communication controls. DAS should ensure that the MOP is current and comprehensive, fully explaining the objectives, conditions, and criteria and considers both current and anticipated operational needs.

Agencies should effectively communicate their process for employee expense reimbursements, including documentation requirements, with staff and responsible agency reviewers to ensure all parties are aware of the established criteria, and to ensure reviewers are able to effectively review TRRs timely process reimbursement payments in accordance with the established criteria.

*Department of Administrative Services Response:*

DAS concurs. While the Division of Accounting services routinely provides travel and related expense reimbursement policies to agencies, DAS will consider the need for a more formalized training program under its Division of Personnel.

**Observation No. 6 Strengthen Controls Promoting The Timely Submission And Reimbursement Of Employee Travel Expense Requests**

*Observation:*

State agencies do not consistently require employees to submit timely travel reimbursement requests (TRR), nor do the agencies consistently reimburse employees in a timely manner.

The Department of Administrative Services' (DAS) Manual of Procedures (MOP) 1103 (E), requires employees to submit a properly completed TRR within 30 days of return from their trip. The State Employee Association's Collective Bargaining Agreement (CBA) Section 19.4.2, further directs the State to reimburse employees for valid travel expenses within 15 working days of the date an employee submits a properly completed travel voucher.

Of the audit's random sample of 100 employee non-wage payments paid via check, 91 payments were reimbursements of employee travel expenses. The following timing issues were noted in our review of the 91 travel expense items:

- a. In 21 (or 23.1%) of the items tested, employees submitted TRRs two to 80 days late. Review of the forms indicated that frequent travelers appear to commonly submit TRR forms monthly, or in some cases, even less frequently.
- b. In six (6.6%) of the items tested, agencies processed reimbursements more than 15 working days after the employee's submission of the TRR, contrary to CBA Section 19.4.2.
- c. In two (2.2%) of the items tested, we were unable to determine the timeliness of the submission and reimbursement of the TRR, as the forms were not dated by either the preparer or approver.

Untimely submission and processing of TRRs increases the risk that details and specifics of the travel will be forgotten or overlooked by the employee or the reviewer that could allow errors or abuse to occur and not be detected and corrected in a timely manner, in the normal course of business. In addition, failing to require timely submission of expense reports increases the risk that the State's reimbursement plan does not align with the Internal Revenue Service (IRS) definition of an "accountable plan". MOP 1102 (D) 3, purports its intent is to meet the IRS definition of an accountable plan.

The lack of compliance with MOP and CBA time requirements for submitting and paying mileage reimbursements indicates that the relevant monitoring controls are either not designed or are not operating effectively. It is also not clear whether employees and agencies are unaware of

the time requirements for submitting and processing travel reimbursement in the MOP and CBAs, or whether employees and agencies are aware but consider the time requirements unimportant.

*Recommendation:*

DAS and State agencies should strengthen controls promoting the timely submission and reimbursement of employee travel expense requests in compliance with the MOP and CBAs.

DAS should improve communication with agencies and employees, regarding the importance of complying with required timelines for submission and payment of employee travel-related reimbursements and should review its monitoring controls to ensure they are adequate to reasonably ensure that issues resulting in noncompliant requests are appropriately addressed and corrected.

*Department of Administrative Services Response:*

DAS concurs that agency personnel should submit travel vouchers on a timely basis and will include this in any employee training developed by the Division of Personnel.

**Observation No. 7: Improve Documentation Of Mileage Claimed Through DOT's MATS System**

*Observation:*

DOT's process for reimbursing employees through its MATS system does not require employees to complete a State-standard TRR form or a certificate of travel in support of claims for reimbursement of in-state mileage. DOT reported that it did not seek or obtain a waiver from the DAS to exempt its employees from the requirement of completing the TRRs and associated certificates of travel.

The Department of Transportation (DOT) uses MATS (Managing of Assets in Transportation System), an agency information system, to accumulate and report project-based information, including hours worked and business-related in-state mileage incurred by many of its non-administrative employees. Following an electronic review and approval process, information in MATS is interfaced with NHFirst, which generates and disburses the DOT employee payroll.

Employees, or in certain instances employees' supervisors, enter hours worked, and associated miles traveled, by project, directly into MATS. In entering mileage information, an appropriate code is also entered which identifies the travel as call-back miles, commuter miles, personal vehicle work miles, etc. Once entered and submitted, the hours and miles information flows through a three-level approval process. The first two levels of approval typically consist of a Business Administrator or office clerical staff, and the District Engineer or responsible manager at the employee's respective Bureau. The final level of approval is applied by the DOT payroll office.

Travel information entered into MATS is not equivalent to the information required by the State's standard travel reimbursement requests (TRRs) as MATS does not capture travel starting and ending locations or explanation of the purpose of the travel or indicate whether the mileage reported is round-trip or one-way. Additionally, MATS does not prompt employees or approvers to attest to the accuracy and the legitimacy of travel reimbursement requested, certifications which are required by MOP 1103 (C) and (D).

While DOT has a review and approval process for personal vehicle mileage submitted through MATS for reimbursement, it is not clear the employees responsible for completing the review and approval have sufficient, readily available information regarding the employee's home and work locations, activities, and travel practices to enable them to make an informed decision as to the accuracy of the claimed mileage.

The employees' supervisors/foremen are responsible for documenting work activities for certain employees, including personal vehicle miles driven to the worksite. Based on documentation provided by DOT, this information typically may be documented in the form of daily, informal, hand-written notes in a "foreman's diary". Examples of diary entries provided by DOT included notations with combinations of employee first names, work project, hours, and numbers reported as representing private vehicle mileage. The information in the diary entries was not consistently formatted or complete and did not include any travel detail such as starting and ending locations, and while those locations might be assumed to be the employee's home and worksite locations, that assumption could be incorrect if the employee carpooled or otherwise varied from what would be the employee's assumed travel to a worksite. While the "foreman's diary" is available upon request for DOT management review, it is not regularly provided to payroll officials to support employee hours or mileage. While the DOT agrees it does not regularly receive all of the travel information that would be available on a State-standard TRR, it reports MATS approvers are able to infer travel location, purpose, and legitimacy based on a review of the project information contained in MATS, and that supervisors are sufficiently aware of their respective employees' travel activity and assigned locations to identify claimed mileage that appears unreasonable.

The audit's random sample of 100 non-wage payments made through the State's payroll system included 69 DOT in-state mileage reimbursement transactions. Because there were no TRRs prepared for these transactions, we requested and reviewed documentation provided by DOT in support of the test items, including employee timecards, copies of foremen's diary entries, and DOT's written responses to auditor's inquiries, to determine whether the claimed mileage appeared allowable and in compliance with MOP requirements. The following was noted in the review of the provided documentation:

- For 33 (48%) of the 69 DOT selections tested, documentation was insufficient to allow the auditors to conclusively determine whether: 1) the travel was made in relation to the employee's duties under the provisions of RSA 4:15, 2) commuting miles were appropriately excluded, 3) reimbursement was made only for personal vehicle miles actually incurred, and 4) mileage was based on official state highway maps, and by the most expedient, direct route. DOT could not provide supporting documentation for four of the 33 selections, other than a MATS approval report.

- For three (4%) of the 69 DOT selections tested, it appears employees were reimbursed for travel from their residence to their official work location, or to/through the town where their official work location is located, without documentation of any extenuating circumstances, such as call-back status, that would make reimbursement for the travel in compliance with State policy.

The lack of appropriate documentation supporting the claimed mileage increases the risk that recordkeeping could be determined to be insufficient and not in compliance with the Internal Revenue Services' definition of an accountable plan.

*Recommendation:*

The Department of Administrative Services (DAS) and DOT should review DOT's processes and related controls for accumulating, tracking, accounting for, and reporting employee work-related mileage expenses to ensure the documentation and recordkeeping of mileage claimed for reimbursement is sufficient to support reimbursements paid to employees.

DOT should consider establishing a process that would require its employees to document claims for reimbursement of mileage expense in a manner equivalent to that required of all other State employees, including identification of travel purpose and starting and ending locations and certification of accuracy of the claimed mileage that would allow for effective and efficient review and approval of mileage claimed by and paid to employees.

*Department of Transportation Response:*

The Department of Transportation concurs.

Although the Department has in place an automated time tracking information system, MATS (Managing of Assets in Transportation System), and is fully acceptable for federal project reimbursement and other management needs as intended, the system does lack other features to be fully compliant with State travel policy. To overcome this shortfall, the Department will adopt and incorporate the State manual paper process by use of the State of New Hampshire Payment Voucher – In State Travel (Form A-4M). The Department will also internally amend the form to identify call-back miles traveled. This manual process will be implemented June 1, 2019.

*Department of Administrative Services Response:*

DAS agrees with DOT's response.

## **Observation No. 8: Review And Resolve Conflicts Between RSA 4:15, DAS MOP, And Current CBAs And Practices For Paying Employees Call-Back Mileage**

### *Observation:*

The State's practice of reimbursing employees for mileage to and from their place of work when on a call-back status, as provided for in the CBAs and MOP, appears to conflict with RSA 4:15, which prohibits reimbursement of employees' expenses for travel between their places of residence and their department offices. Additionally, the State may be improperly classifying call-back mileage reimbursement as tax-exempt mileage reimbursement, when reporting employee taxable wages to the IRS.

The Collective Bargaining Agreement (CBA) defines call-back status as "non-exempt employees called back to his/her place of work or other site away from his/her home without prior notice on the same day after once leaving work or before the next regular starting time."

- 1.) The State's Manual of Procedures (MOP) 1102 (D) 4, further directs that this mileage is to be reported as taxable income. Internal Revenue Service (IRS) publication 463 states that commuting expenses are not deductible, but does not address call-back type situations.

The audit's random sample of 100 non-wage payments to employees made through the payroll system included 14 instances of call-back mileage paid to DOT employees. In each instance, the call-back mileage was improperly recorded in the NHFirst Pay Sum Group 601 – "mileage reimburse – tax exempt" account. While DOT's Managing of Assets in Transportation System (MATS) does track and report call-back miles separately from other types of miles reimbursed, it does not appear that this distinction translates when MATS interfaces to NHFirst as part of the bi-weekly payroll process, because all mileage is identified as tax exempt.

In addition, review of non-wage payments made by check, via NHFirst accounts payable module, revealed one instance where an employee received reimbursement for commuting mileage. The payment made to the employee for the call-back mileage was not included within the employee's taxable wages, contrary to what appears to be required by MOP 1102 (D) 4, and supported by IRS publication 463.

- 2.) It is not clear that DOT's interpretation and implementation of the CBA's call-back mileage provision is correct, when applied to employees called into work prior to the start of their normal shift. For example, when due to a storm or other unplanned event, DOT staff are called into their place of work after once leaving work or before the next regular starting time, the employee is paid mileage for that trip to work. If that unscheduled work ends prior to the start of their next work day, they are also paid mileage for the return home from the unplanned work period, in recognition that the employee was required to make an additional round trip to the workplace. If, however, the unplanned workperiod rolls into the employee's planned next work shift, and the employee does not return home until after the end of that

normal work shift, the employee only receives mileage reimbursement for the early trip to the workplace but does not receive mileage reimbursement for the trip home.

An employee who is called into work before the next regular starting time and who then continues to work the normal shift does not incur any additional mileage costs as a result of being called to work prior to the normal start of the workday. Therefore, it is unclear that the CBA provision should apply in this situation, for what is essentially a normal workday commuting trip. To consider the early start of the workday subject to call-back mileage is also inconsistent with the DOT's practice of not paying call-back mileage to an employee whose workday is extended due to unscheduled work past the normal end of the day.

- 3.) The in-state travel forms available for employees to track and report in-state miles traveled for reimbursement does not provide for the separate identification of call-back mileage nor does there appear to be any other mechanism or procedure for that purpose. Without an appropriate reporting process in place, employees cannot make a distinction between business-related in-state miles traveled and call-back miles traveled, to allow for the complete accounting and reporting of call-back mileage paid to employees using those forms.

*Recommendation:*

The State should review the conflicts between RSA 4:15, the DAS MOP, current CBAs, and current practice of paying employees call-back mileage to determine whether statutory or procedural changes are required.

If the State determines that it is appropriate to continue to pay employees call-back mileage, the State should review the business purpose and objectives intended to be met by these payments, and ensure there are clear and concise policies and procedures in the MOP describing the objectives, eligibility criteria, and process for claiming reimbursement of these expenses and that forms used for that purpose are appropriately designed to prompt accurate reporting.

The State should also ensure that all payments made to employees, including non-wage payments such as reimbursement of mileage expense, are properly categorized and reported as taxable or tax exempt.

*Department of Transportation Response:*

The Department of Transportation concurs.

Although the auditors cite potential conflicts between RSA and the States Manual of Procedures (MOP), the Department believes it has been interpreting and implementing travel rules appropriately. This said, the Department will assist DAS to ensure clear and concise State travel policies and procedures in an effort to avoid any conflicts of travel authority at the Department level.

The Department will adopt and incorporate the State manual paper process by use of the State of New Hampshire Payment Voucher – In State Travel (Form A-4M). The Department will also

internally amend the form to identify call-back miles traveled. This manual process will be implemented June 1, 2019.

*Department of Administrative Services Response:*

DAS agrees with DOT's response and will consult with the Department of Justice as to any potential conflicts in statutory authority.

**Observation No. 9: Improve Internal Controls Over Reimbursement Of Judicial Branch Employee Expenses**

*Observation:*

The Judicial Branch's employee reimbursement controls are insufficient to ensure employee business-related travel expenses are reimbursed in accordance with applicable State statutes and the Judicial Branch's established internal policies and procedures.

Judicial Branch Travel Policy, Section 4.1 of the Court Financial Policy Manual specifies that a travel reimbursement form is to be used for in-state and out-of-state job-related travel expenses incurred by employees, as well as miscellaneous job-related out-of-pocket expenses. The policy further specifies that the form must be approved by the employee's supervisor before payment can be processed, and must be submitted no later than 45 days after the expense is incurred. Traditional employees are reimbursed via check, upon submission of a completed travel reimbursement form. Judges and justices are generally reimbursed via payroll direct-deposit, based on information court clerks enter into the Judicial Branch's scheduling system.

The audit's random sample of 100 non-wage payments made through the State's payroll system via direct-deposit, and 100 non-wage payments made via check included 20 payments relating to Judicial Branch employees, including judges and justices; ten paid via payroll direct-deposit, and ten paid via check. Review of Judicial Branch Travel Reimbursement forms and other available supporting documentation revealed the following:

Check Payments:

- 1.) An employee requested and was reimbursed for daily travel from or through the employee's home court to temporary work assignments in an amount that appears overstated by approximately 11 miles per day. Additionally, the employee's travel form was reviewed and approved by someone other than the employee's supervisor, contrary to Judicial Branch Travel Reimbursement Policy 4.1. Unsubstantiated mileage reimbursed in this sample transaction totaled approximately 110 miles, or \$58.85 (at \$0.535 per mile) over ten days of travel.

- 2.) An employee requested and was reimbursed for reported travel from the employee's home court to Concord to attend several full-day trainings. It is not clear that the employee reported to his/her assigned home court prior to traveling to Concord on the noted travel days. Reporting travel from the employee's residence would have resulted in fewer reimbursable miles. Potential excess mileage reimbursed in this sample transaction totaled approximately 96 miles, or \$51.36 (at \$0.535) over eight days of travel.
- 3.) A Judicial Branch official requested, and was reimbursed for, airfare to attend a conference and for office expenses. The official submitted credit card statements to support the reimbursement request but did not submit itemized receipts, conference agendas, etc., typically required of employees to support such a reimbursement request. Additionally, the expense reimbursement request form was submitted directly to the Judicial Branch accounting section for payment processing and does not appear to have been subject to a review and approval control prior to payment.

#### Payroll Direct-Deposit Payments:

Certain judges and justices do not prepare and submit travel reimbursement request forms. Travel reimbursements for these judges and justices are based on information court clerks enter into the Judicial Branch's scheduling system on the judges' or justices' behalf. The scheduling system interfaces with NHFirst to generate payment in conjunction with the bi-weekly payroll process. The court clerks reportedly have the necessary information to determine distances traveled between the judge's/justice's residence and the applicable court, and enter the travel information, including mileage and any associated toll charges, into the Judicial Branch's scheduling system based on actual court attendance. The following issues were noted in the mileage reimbursements paid to judges and justices selected in the test samples.

- 1.) In two transactions tested, one district court judge appears to have been reimbursed for commuting miles and tolls incurred relating to travel to the judge's assigned court, which is less than 50 miles, one-way from the judge's residence, contrary to RSA 502-A:6-c, which restricts reimbursement to mileage in excess of 50 miles each way. The total amount reimbursed for the two trips amounted to \$21.40 (40 miles at \$0.535). The mileage reimbursement was reported as "mileage reimburse tax-exempt" in NHFirst.
- 2.) In two transactions tested, judges were reimbursed for miles traveled in 2018 at the 2017 mileage reimbursement rate, due to the Judicial Branch not updating its scheduling system until mid-March 2018, approximately three months after the rate changed. Upon discovery of the problem, the Administrative Office of the Courts completed a review and issued corrected payments to affected employees.

#### Other Issue Noted:

During the course of the audit we also noted that one Judicial Branch employee headquartered in Concord (as reported in both NHFirst and the Judicial Branch human resources system), was routinely reimbursed for commuting miles from the employee's residence to the employee's work headquarters in Concord. During the audit period, the employee received a total of

approximately \$7,200 in in-state mileage reimbursement of which approximately 95% (\$6,831, or 12,717 out of 13,390) of the reimbursed miles appeared to be commuting mileage. Following the auditor's inquiry in March 2018, the Judicial Branch agreed that the employee should not receive reimbursement for commuting to Concord. Auditor review of subsequent payments to the employee indicate that the employee did not receive mileage reimbursement for commuting to Concord subsequent to May of 2018. A review of the employee's payroll history in NH First does not indicate that the commuting miles were tracked/reported as either taxable or tax exempt mileage reimbursements; reimbursement of commuting mileage should be reported as taxable. Review of the employee's expense reimbursements also indicated that the employee was routinely reimbursed for cell phone expenses without the submission of an invoice, bill, or other support for the amount of the reimbursement requested.

Failing to require the submission of travel reimbursement request forms, and to adequately review and approve travel reimbursement payments initiated via the Judicial Branch scheduling system, increases the risk that employees and officials will not be reimbursed accurately, for the appropriate amount of miles and in the appropriate amount. Additionally, subjecting different classes of employees to different reimbursement requirements increases the risk that employees will not be reimbursed in accordance with a consistent plan.

*Recommendation:*

The Judicial Branch should continue to review its existing policies and procedures, including its current practice of reimbursing judges and justices without requiring the completion of an approved travel reimbursement request and certification, to determine whether the policies and procedures are sufficient to provide controlled and accurate processing of employee expense reimbursements.

The Judicial Branch should implement an effective review and approval process for all employee expense reimbursements. The process should include review and approval performed by an individual at the appropriate level with knowledge of the employee's travel to enable informed decisions to be made as to whether the travel expenses reported are reasonable in relation to the employee's assignment, and are appropriate in amount.

The Judicial Branch should review its mileage reimbursement practices to ensure commuting miles are being treated appropriately.

*Administrative Office of the Courts Response:*

We concur. As a result of an expense reimbursement audit performed by our Internal Audit Department, and the expense reimbursement audit performed by the LBA Audit Division, the Judicial Branch has reviewed and updated our existing policies and procedures over expense reimbursement to ensure proper internal controls are present to ensure employee business-related expenses are reimbursed in accordance with applicable State statutes as well as the Judicial Branch's established internal policies and procedures. The updated Travel and Business Expense Reimbursement Policy (FIN 4.01) and Expense Reimbursement Form became effective on January 1, 2019. Prior to the updated policy and form becoming effective, all employees of the

Judicial Branch were provided with training on the updates to the policy and procedures. In addition, training was provided to the Accounting Department staff that is responsible for processing expense reimbursement forms to ensure compliance with the updated policy and procedures.

*Department of Administrative Services Response:*

DAS agrees with the Judicial Branch response.

**Observation No. 10: Initiate And Disburse Settlement Payments In Accordance With RSA 99-D:2**

*Observation:*

A \$34,074 transaction selected as a test item in the audit's random sample of 100 payments by check appeared unusual, both in the significance of the amount and the account charged, yet State and agency controls did not identify and correct errors in the transaction.

A review of the available documentation revealed the sample transaction was actually a State agency's settlement payment to a prior employee. The documentation supporting the payment was limited to a brief memo from the agency's in-house attorney indicating the fact of the settlement, payment details including amount and payee, and direction that a 1099 tax form was to be issued to the payee. Auditor's identified the following concerns related to the transaction:

1. Generally, pursuant to RSA 99-D, the Department of Justice is authorized to settle claims on behalf of the State. Based on discussions with the agency, in this instance, the Department of Justice was not involved in the settlement. It is unclear that agencies have statutory and budgetary authority to unilaterally settle claims and make settlement payments.
2. The payment made by the agency was charged to an incorrect account. According to the agency, charging the consumable supplies account was an error, and a miscellaneous account should have been charged. The State's chart of accounts does have an account intended for the payment of settlements. Charging payments to incorrect accounts can contradict appropriation authorizations and obfuscate the purpose and nature of payments.
3. Contrary to the summary of the settlement provided in the supporting memo, a 1099 tax form was not issued to the payee. In addition to violating the apparent settlement agreement, the failure to issue a tax form for the payment appears to be contrary to Internal Revenue Service regulations. The State and agency were unable to explain why a tax form was not issued.

While the supporting memo indicated the settlement agreement provided for the issuance of a 1099 tax form, sufficient information was not available to establish that a 1099 form, and not a W2 form, was the correct tax form for the conditions of the settlement.

There is no guidance in the State’s Manual of Procedures or other guidance documents that address the issue of settlements, including controls over the payment of settlements.

*Recommendations:*

The Department of Administrative Services (DAS) should establish formal, documented policies and procedures to ensure all settlement payments generated in response to claims brought against the State, are made in accordance with RSA 99-D, and are appropriately reviewed and authorized by the Department of Justice.

DAS should ensure the policies and procedures are effectively communicated to all agencies to ensure all settlement payments are appropriately authorized in accordance with RSA 99-D:2.

*Department of Administrative Services Response:*

DAS concurs in part. Based on consultation with the Department of Justice (DOJ), it is DAS’ understanding that while most employee claims against the State are settled under RSA 99-D and authorized by DOJ, certain claims brought to the Personnel Appeals Board or Human Rights Commission may be managed independently. In these instances, agencies may consult with DOJ, but it is not required. Only claims settled under RSA 99-D are authorized for payment under DOJ’s settlement authority, and an accounting unit at DAS has been established to record both the appropriation and subsequent payment. The payment identified in the observation relates to an administrative claim for a monetary award associated with the resolution of a dispute stemming from decisions made under the State’s personnel rules. DAS concurs that there is limited guidance for agencies in determining proper budgetary coding and tax treatment of these payments and, therefore, will work with both DOJ and the independent boards to establish procedures over the manner and reporting of payments.

Regarding processing of the payment, DAS also concurs that certain coding errors by the agency entering the invoice were not detected by DAS internal controls, primarily due to staff turnover in the audit function. These errors included incorrect payment coding to a current expense line and incorrect vendor coding which resulted in an initial lack of issuance of a Form 1099-MISC by the Division of Accounting Services. Accounting Services has re-emphasized to its audit staff the importance of reviewing all aspects of the invoices entered by agencies prior to approving payment.

**Observation No. 11: Review Tax Status Of Payments To Employees For Clothing, Footwear, Equipment, And Other Work-Related Expenses**

*Observation:*

The State is not consistent in its tax treatment of clothing, footwear, and equipment reimbursements and allowances paid to employees. Some payments to employees for clothing, footwear, and equipment were included within employees’ taxable wages, while other payments to employees for apparently similar clothing and footwear and equipment reimbursements were excluded from the employees’ taxable wages.

In accordance with provisions of the various collective bargaining agreements, the State provides payments to certain employees, either as a reimbursement or as an allowance, for clothing, footwear, equipment, tool rental, and other non-travel related expenses. The State utilizes a number of pay codes in the accounting system, NHFirst, to process and record the payments to the employees in conjunction with its bi-weekly payroll process. As initially described in Observation No. 2, item 8, there are no standard policies and procedures, process, or form for reimbursement of these types of expenses. We found the State's process for these payments, and tax treatment of the payments, also to be inconsistent.

IRS guidance states, in order for clothing reimbursed by the employer to be exempted from employee's taxable wages, the following conditions must be met: 1) the employee must wear the clothing as a condition of employment; and 2) the clothing must not be suitable for every day wear. If the clothing does not meet the preceding requirements, then the clothing or the reimbursement for the clothing must be treated as a taxable fringe benefit and is subject to income, social security, and Medicare taxes<sup>2</sup>. While the IRS guidance does not specifically address footwear and tools, it would seem logical that the guidance would similarly apply to those payments as well.

A random sample of 21 non-payroll and non-travel related payments, paid in conjunction with the bi-weekly payroll process resulted in a review of 18 payments to employees for clothing, footwear, and equipment expenses and three payments for tool rentals. Review of the 18 payments relating to clothing, footwear, and equipment revealed the following:

- Six of the 18 tested payments were identified by the paycode as tax-exempt even though it was not clear that the payments met the IRS tax-exempt guidance.

While the Department of Administrative Services (DAS) reported its understanding was agencies used the tax-exempt paycode for reimbursement of work-required clothing and footwear, none of the tested items appeared to meet the IRS criteria for tax-exemption. A review of supporting documentation for the six questioned payments indicated that agencies use the paycode to reimburse employees for purchases of clothing that appeared to be suitable for use outside of work and equipment such as flashlights and gun safes that also could be used outside of the work environment. As the clothing and equipment purchased by the employees appeared suitable for every day or personal use, the recorded tax-exempt status of the payments to the employees would appear to conflict with IRS guidance for exempting payments to employees from taxable wages.

*Recommendation:*

DAS should review the State's current process for paying, and determining the tax status of payments made to employees, both by reimbursements and allowances, for clothing, footwear, equipment, and other work-related expenses. DAS should determine, establish, and provide appropriate policies and procedures, and training to agencies to ensure agencies have guidance for coding transactions in compliance with State policy and IRS guidelines.

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<sup>2</sup> Source: IRS quick reference guide for public employers. <https://www.irs.gov/pub/irs-pdf/p5138.pdf>

In addition to guidance and training, DAS should establish controls to monitor agency compliance with those policies and procedures to reasonably ensure that payments to employees for work-related expenses are appropriately included in or excluded from employees' taxable wages.

*Department of Administrative Services Response:*

We concur. DAS acknowledges there is limited guidance for agencies in determining proper tax treatment of certain non-wage payments, and past practice has likely dictated how certain payments are coded. DAS will work with agency payroll officials to conduct an analysis of the various types of payments and review current practices to ensure compliance with IRS guidelines. Any required training will be coordinated through the Division of Personnel. DAS will also evaluate the feasibility of conducting periodic centralized audits of these types of payments, in order to monitor compliance.

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State Of New Hampshire  
Internal Control Review  
Non-Wage Payments To Executive And Judicial Branch Employees By Agency  
Summarized Data For The Nine Months Ended March 31, 2018  
UNAUDITED

Agency	By Check	By Payroll	Total
HEALTH AND HUMAN SERVICES DEPT	\$ 1,499,628	\$ -	\$ 1,499,628
TRANSPORTATION DEPT	57,951	630,452	688,403
SAFETY DEPT	206,190	237,167	443,357
JUDICIAL BRANCH	296,451	59,154	355,605
EDUCATION DEPT	220,810	-	220,810
BANKING DEPT	144,835	-	144,835
CORRECTIONS DEPT	56,114	57,430	113,544
LIQUOR COMMISSION	106,448	-	106,448
REVENUE ADMINISTRATION DEPT	85,952	-	85,952
JUSTICE DEPT	85,148	-	85,148
ENVIRONMENTAL SERVICES DEPT	74,265	-	74,265
ADMINISTRATIVE SERVICES DEPT	69,462	3,220	72,682
EMPLOYMENT SECURITY DEPT	63,314	-	63,314
BUS & ECON AFFAIRS DEPT	42,677	-	42,677
VETERANS HOME	3,498	38,436	41,934
FISH AND GAME DEPT	41,284	-	41,284
EXECUTIVE DEPT	35,913	-	35,913
PUBLIC UTILITIES COMMISSION	33,444	-	33,444
EXECUTIVE COUNCIL	25,125	-	25,125
NATURAL & CULT RESOURCES DEPT	23,743	-	23,743
ADJUTANT GENERAL'S DEPT	19,792	-	19,792
INSURANCE DEPT	19,744	-	19,744
STATE DEPT	19,505	-	19,505
AGRICULT, MARKETS & FOOD DEPT	16,843	-	16,843
LABOR DEPT	14,822	-	14,822
INFORMATION TECHNOLOGY DEPT	14,066	-	14,066
PROF LICENSURE & CERT OFFICE	13,589	-	13,589
RETIREMENT SYSTEM	10,795	-	10,795
DEVELOPMENT DISABILITIES CNCL	5,416	-	5,416
LOTTERY COMMISSION	4,014	787	4,801
POLICE STDS & TRAINING COUNCIL	3,310	-	3,310
VETERANS SERVICES OFFICE	2,920	-	2,920
HUMAN RIGHTS COMMISSION	1,906	-	1,906
BOXING & WRESTLING COMMISSION	1,877	-	1,877
OTHER	1,963	275	2,238
	<u>\$ 3,322,814</u>	<u>\$ 1,026,921</u>	<u>\$ 4,349,735</u>

Source: NHFirst Data

State Of New Hampshire -Internal Control Review  
 Non-Wage Payments To Executive And Judicial Branch Employees By Expenditure Account  
 Summarized Data For The Nine Months Ended March 31, 2018  
 UNAUDITED

Account Number	Account Description	Amount
500704	Mileage-Private Cars(In-State)	\$ 2,708,824
500713	Hotel (Out-Of-State)	501,219
500712	Meals (Out-Of-State)	232,899
500212	Clothing	154,233
500714	Mileage-Private Crs(Out-Of-State)	84,675
500710	Common Carriers (Out-Of-State)	67,768
500702	Meals (In-State)	61,475
500717	Miscellaneous (Out-Of-State)	58,687
500200	Supplies (Consumable)	56,264
500703	Hotel (In-State)	47,725
500543	Continuing Profess Education	44,353
500707	Miscellaneous (In-State)	39,561
500706	Travel (Other) (In-State)	38,252
500719	Registration Fees (Out-Of-State)	25,076
406460	Retiree Health Ins Premium U65	21,901
500590	Grants And Subsidies	21,840
500776	Mileage, In-State - Litigation	18,744
500526	Grants To Individuals	17,746
509204	Settlement Pmts RSA99-D2	17,131
500554	Reg. Fees Out Of State	16,645
500257	Rent/Lease Non Office Equipment	15,823
500576	Grants To Other State Agencies - Federal	12,031
504174	Dry Cleaning	11,649
500464	Gen Consultants Non-Benefit	9,958
500546	Reg. Fees In-State	7,816
500188	Telecommunications Voice	5,741
500219	Transportation Of Things	5,382
509081	Out-Of State Travel	4,174
500782	Transport Things - Litigation	3,678
500796	Meals (In-State) - Active Duty	3,216
500544	Educational Training (Tuition)	3,116
500797	Mileage, (In-State) - Active Duty	2,741
500575	Grants To Non-Profits - Federal	2,688
500216	Postage	2,000
500252	Miscellaneous	1,888
500709	Registration Fees (In State)	1,826
	Other	20,990
		<u>\$ 4,349,735</u>

Source: NHFirst Data

State Of New Hampshire  
Internal Control Review  
Non-Wage Payments To Executive And Judicial Branch Employees  
Total Amount Paid To Top 25 Employees During The Nine Months Ended March 31, 2018  
UNAUDITED

Rank	Amount	Employee's Agency	Purpose
1	\$ 34,074	LIQUOR COMMISSION	Settlement
2	16,566	BANKING DEPT	Travel
3	12,422	BANKING DEPT	Travel
4	11,752	BANKING DEPT	Travel
5	11,685	BANKING DEPT	Travel
6	10,892	BANKING DEPT	Travel
7	10,408	DEPARTMENT OF TRANSPORTATION	Travel
8	10,216	REVENUE ADMINISTRATION DEPT	Travel
9	10,098	DEPARTMENT OF TRANSPORTATION	Travel
10	9,627	REVENUE ADMINISTRATION DEPT	Travel
11	9,473	BANKING DEPT	Travel
12	9,270	BANKING DEPT	Travel
13	8,817	ADMINISTRATIVE SERVICES DEPT	Settlement
14	8,762	DEPARTMENT OF TRANSPORTATION	Travel
15	8,662	BANKING DEPT	Travel
16	8,314	ADMINISTRATIVE SERVICES DEPT	Settlement
17	8,311	DEPARTMENT OF TRANSPORTATION	Travel
18	8,307	SAFETY DEPT	Travel
19	8,076	DEPARTMENT OF TRANSPORTATION	Travel
20	7,757	JUDICIAL BRANCH	Travel
21	7,682	EDUCATION DEPT	Travel
22	7,638	REVENUE ADMINISTRATION DEPT	Travel
23	7,551	JUDICIAL BRANCH	Travel
24	7,414	HHS: HUMAN SERVICES DIV	Travel
25	7,412	LIQUOR COMMISSION	Travel
	<u>\$ 261,186</u>		

Source: NHFirst Data

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