

**LBA Financial Audit Report Summary:  
Department of Environmental Services For The Fiscal Year Ended June 30, 2004**

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**Reporting Entity And Scope**

The reporting entity and scope of this audit and audit report is the New Hampshire Department of Environmental Services for the fiscal year ended June 30, 2004.

The report describes the financial activity of the Department of Environmental Services, as it existed during the period under audit. Unless otherwise indicated, reference to the Department or DES refers to the Department of Environmental Services. The Department of Environmental Services provided the auditee responses included in the report.

**Organization**

The Department of Environmental Services was established effective July 1, 1986 by RSA 21-O under the direction of a Commissioner and consolidated and reorganized four previously separate agencies: the Air Resources Agency, the Office of Waste Management, the Water Supply and Pollution Control Commission, and the Water Resources Board. Each of these groups is now represented within the Department's three divisions: Air Resources, Waste Management, and Water. Also, The Department has units within the Office of the Commissioner whose roles are to coordinate such activities as agency-wide planning, enforcement, permitting, public information, laboratory services, geologic services, information resources, and financial and personnel management. At June 30, 2004, the Department employed 443 full-time and 61 part-time employees.

**Responsibilities**

The Department's Air Resources Division, with guidance from the N.H. Air Resources Council, is responsible for promoting cost-effective, sensible strategies and control measures to address complex and inter-related air quality issues. These issues include, but are not limited to, ground-level ozone, particulate matter, regional haze (visibility), mercury emissions, increasing concentrations of greenhouse gases, acid deposition, and air toxics.

The Department's Waste Management Division, in cooperation with the Air Resources and Water Divisions, provides a coordinated approach to addressing pollution sources and remediating contaminated sites. The Department's and Division's basic strategy is to prevent occurrences of events and practices that may lead to contamination, minimize the impacts of materials that become contaminants when misused or spilled, and efficiently and effectively utilize the Department's personnel and financial resources in environmental restoration.

Under guidance from the N.H. Water Council, the N.H. Water Resource Council, and the N.H. Wetlands Council, the Department's Water Division conducts a variety of programs designed to

ensure the protection of the State’s water including: overseeing public water supplies; wastewater control activities; surface water monitoring; wetlands permitting and enforcement; dam inspections, maintenance, and operation; and water resource and use planning.

The Office of the Commissioner includes the functions of Administrative Services, Environmental and Occupational Health, Geology, Human Resources, Laboratory Services, Legal, Planning, and Public Information and Permitting for the Department.

**Funding**

The financial activity of the Department of Environmental Services is accounted for in the General and Capital Projects Funds of the State of New Hampshire. A summary of the Department’s revenues and expenditures for the fiscal year ended June 30, 2004 is shown in the following schedule.

**Summary of Revenues and Expenditures  
Fiscal Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Total Revenues	\$ 90,461,299	\$ 220,663	\$ 90,681,962
Total Expenditures	<u>\$ 104,761,311</u>	<u>\$ 4,026,648</u>	<u>\$ 108,787,959</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u><b>\$ (14,300,012)</b></u>	<u><b>\$(3,805,985)</b></u>	<u><b>\$ (18,105,997)</b></u>

The auditor’s report on the Department of Environmental Services’ financial statements was qualified with respect to the lack of presentation of the financial position of the Department of Environmental Services in the government-wide and fund financial statements.

The audit report included the auditor’s reports on internal control over financial reporting and on compliance and other matters compliance. The following is a list of the comments in the report.

**Internal Control Comments**

**Material Weakness**

- Accounting Controls For Federal Programs Must Be More Structured

### *Other Reportable Conditions*

- Federal Reimbursement Of Costs Should Be Drawn More Timely
- Controls Should Be Improved Over The State Revolving Fund Collection Process
- Policies And Procedures Should Be Established For The Accrual Of Accounts Receivable And The Recognition Of Revenues
- Status Of Deferred Federal Revenues Should Be Resolved
- System Documentation Should Be Improved
- Inter-Agency Accounts Receivable Should Be Collected Timely
- Controls Over Cash Receipt Process Should Be Improved
- Lab Fees Should Be Reviewed
- Formal Fraud Risk Mitigation Efforts Should Be Developed And Implemented
- Controls Should Be Established Over Revenues Collected For The Department By The Department Of Safety
- The Department's Ledger Should Be Periodically Reconciled To The State's Accounting System
- Employee And Dependent Benefits Eligibility Status Should Be Regularly Reviewed
- Controls Over Equipment Should Be Improved To Prevent Errors And Inconsistencies
- Controls Over Reporting Real Property Should Be Improved
- Policies And Procedures For Reporting Commuter Use Of Department Vehicles Should Be Established
- A Formal Disaster Recovery Plan Should Be Developed
- Contract Escrow Accounts Should Be Closed Once Their Intended Purpose Is Fulfilled

### **Compliance Comments**

#### *State Compliance*

- Required Administrative Rules Should Be Adopted
- Air Resources Fund Should Be Established
- Winnepesaukee River Basin Program Assessments Should Be Billed In Accordance With Statute
- Required Fees Should Be Assessed/Collected Or Action Taken To Remove Requirement Capital Project Status Reports Should Be Submitted
- Conflict Of Interest Pledge And A Statement Of Financial Disclosure Should Be Filed

## *Federal Compliance*

- Federal Reports Should Be Submitted Timely