

**STATE OF NEW HAMPSHIRE
ROAD TOLL BUREAU**

**FINANCIAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

**STATE OF NEW HAMPSHIRE
ROAD TOLL BUREAU**

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This report can be accessed in its entirety on-line at www.gencourt.state.nh.us/lba/audit.html

**STATE OF NEW HAMPSHIRE
ROAD TOLL BUREAU**

Reporting Entity And Scope

The reporting entity of this audit and audit report is the Road Toll Bureau of the New Hampshire Department of Safety. The scope of this audit and audit report includes the financial activity of the Road Toll Bureau for the fiscal year ended June 30, 2009. Unless otherwise indicated, reference to the Bureau or auditee refers to the Road Toll Bureau.

Organization

Pursuant to RSA 21-P:9, the Director of Motor Vehicles, with the approval of the Commissioner of the Department of Safety, is responsible for appointing a road toll administrator who shall assume, under the control of the Director of Motor Vehicles, the responsibility for the administration of the motor vehicle road toll and fuel tax agreement laws (RSAs 260:30-260:65-e).

Operationally, in accordance with the State Operating Budget, the Road Toll Bureau falls under the control of the Department of Safety's Division of Administration.

The Road Toll Bureau is headed by an administrator and at June 30, 2009 was staffed with 23 full-time employees.

The Road Toll Bureau is located in the James H. Hayes Building, 33 Hazen Drive, Concord, New Hampshire.

Responsibilities

The Road Toll Bureau's stated mission is "to collect motor fuel taxes in the most cost effective manner and achieve the highest level of voluntary compliance with the State of New Hampshire's Motor Vehicle Road Toll Law, primarily through education, audit and enforcement initiatives."

The Road Toll Bureau is responsible for collecting motor fuel tolls (tax) and enforcing toll compliance with the Motor Vehicle Road Toll Law. The Field Audit Section of the Bureau is responsible for auditing:

- Motor fuel distributor licensees, International Fuel Tax Agreement (IFTA) licensees, and motor fuel and petroleum products transporter licensees,
- International Registration Plan registrants for the Department of Safety's Division of Motor Vehicles, and
- Petroleum import licensees for the Department of Environmental Services.

The Road Toll Bureau is also responsible for administering New Hampshire's participation in the International Fuel Tax Agreement (IFTA), a multi-jurisdictional program that allows licensees to obtain one fuel-use license, with a base jurisdiction, effective in all participating jurisdictions.

Funding

The financial activity of the Road Toll Bureau is accounted for in the General, Highway, and Capital Projects Funds of the State of New Hampshire. A summary of the Bureau's revenues and expenditures for the fiscal year ended June 30, 2009 is shown in the following schedule.

Summary Of Revenues And Expenditures For The Fiscal Year Ended June 30, 2009

	General Fund	Highway Fund	Capital Projects Fund	Total
Total Revenues	\$ 19,566,646	\$ 147,166,262	\$ -0-	\$ 166,732,908
Total Expenditures	<u>1,649,975</u>	<u>-0-</u>	<u>468,379</u>	<u>2,118,354</u>
Excess (Deficiency) Of Revenues				
Over (Under) Expenditures	<u>\$ 17,916,671</u>	<u>\$ 147,166,262</u>	<u>\$ (468,379)</u>	<u>\$ 164,614,554</u>

Prior Audits

The most recent prior financial audits which included comments related to the Road Toll Bureau were the audit of the *Fee And Fine Revenues Collected By The Division Of Motor Vehicles* for fiscal year 2006 and the audit of *The Department Of Safety* for the eighteen months ended December 31, 1993. Appendix A to this report on page 39 contains a summary of the current status of the observations contained in those reports that addressed operations of the Road Toll Bureau. A summary of the 2006 audit report, which excluded the revenues collected by the Road Toll Bureau from the scope of the audit, can be accessed at, and printed from, the Office of Legislative Budget Assistant website. www.gencourt.state.nh.us/lba/audit.html

Audit Objectives And Scope

The primary objective of our audit was to express an opinion on the fairness of the presentation of the financial statement of the Road Toll Bureau for the fiscal year ended June 30, 2009. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we considered the effectiveness of the internal controls in place at the Bureau and tested its compliance with certain provisions of applicable State and federal laws, rules, regulations, and contracts. Major accounts or areas subject to our examination included, but were not limited to, revenues and expenditures.

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

Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters

To The Fiscal Committee Of The General Court:

We have audited the Statement of Revenues and Expenditures - General, Highway, and Capital Projects Funds, of the Road Toll Bureau (Bureau) of the New Hampshire Department of Safety for the fiscal year ended June 30, 2009 and have issued our report thereon dated December 11, 2009, which was qualified as the financial statement does not constitute a complete financial presentation of the Bureau. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the

entity's internal control. We consider the deficiencies described in Observations No. 1 through No. 10 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe Observations No. 1 is a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statement is free of material misstatement, we performed tests of the Bureau's compliance with certain provisions of laws, rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance which are described in Observations No. 11 through No. 14.

The Bureau's response is included with each observation in this report. We did not audit the Bureau's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the Road Toll Bureau, others within the Bureau, the Department of Safety, and the Fiscal Committee of the General Court and is not intended to be used by anyone other than these specified parties.

Office Of Legislative Budget Assistant

December 11, 2009

Internal Control Comments
Material Weakness

Observation No. 1: All Significant Revenue Accounts Should Be Reconciled

Observation:

The Bureau did not have procedures in place to reconcile all of its significant revenue accounts during fiscal year 2009. The Bureau also did not provide the Department of Environmental Services (DES) with sufficient information to allow the DES to review and reconcile revenues collected on its behalf by the Bureau.

- While the Bureau reconciled road toll tax revenue monthly during fiscal year 2009, the Bureau did not reconcile its other revenue sources, including approximately \$16.5 million of petroleum import fees. The Bureau did reconcile the petroleum import fees in August 2009, subsequent to the auditor's inquiry.
- The Bureau did not provide DES with monthly gallonage reports after October 2008. The Bureau reported it discontinued preparation of the reports due to the time required to compile the report.
- The Bureau used an "over account" also used by other sections of the Department of Safety during fiscal year 2009 to record overpayments of taxes and fees. Because more than one area of the Department used the account, reconciling Bureau activity in the account was not reasonably possible.

Reconciliations are effective control activities to detect errors or fraud. The lack of reconciliation procedures for all significant revenue accounts increases the risk that errors or frauds that may have occurred during fiscal year 2009 would not be detected and corrected in the normal course of business.

Recommendation:

The Bureau should implement procedures to regularly reconcile all of its significant revenue accounts. Completed reconciliations should be reviewed and approved by a management level employee to ensure that reconciliations are timely and complete and that significant differences identified in the reconciliation process are timely and appropriately resolved.

The Bureau should request its accounting structure be expanded to include an appropriate account to replace its use of the Department's over/short account. The Bureau's accounting should not be unnecessarily commingled with accounts of other areas of the Department.

Auditee Response:

We concur.

As indicated in the observation we perform a detailed reconciliation between the current Road Toll System and the State's accounting system (formerly NHIFS, now NHFirst) on a monthly basis. All variances are investigated and resolved. Road Toll revenue including the Highway and Bridge Betterment account is approximately \$150 million per year. Total revenue collected by road toll is approximately \$166.7 million therefore 90% of the Bureau's revenues are reconciled on a monthly basis.

A detailed reconciliation process is being formalized for the environmental fees. We have requested and received "read only" access to the DES's revenue accounts within NHFirst and are in the process of finalizing this. Under the existing Road Toll System the report that was generated for DES was done using Oracle Discoverer and then was exported into Microsoft Excel. We found generating this report to be cumbersome and it did not provide all the necessary information that DES desired. Currently and during the audit period in addition to normal day to day duties required to be performed by the road toll staff we were and are still implementing a new Automated Fuel Toll System (AFTS). Around October 2008 Bureau management decided that resources would be better utilized maximizing effort on the implementation of the AFTS. AFTS will directly interface with NHFirst and has a specifically designed report for DES accounting staff that will include monthly gallonage and associated environmental fees by revenue source. This report will be provided monthly to DES accounting staff and should resolve this issue.

Other Significant Deficiencies

Observation No. 2: Revenue Responsibilities Should Be Segregated

Observation:

Responsibilities for processing road toll revenues during fiscal year 2009 were not adequately segregated to control for the risk of errors or frauds in the revenue process.

1. One employee was responsible for the incompatible functions of receiving International Fuel Tax Agreement (IFTA) payments from other states' taxing units, recording the amounts received, preparing the deposits, and reconciling the revenues received to the IFTA Clearinghouse, which reports the revenues owed to member states from other member states.
2. One employee was responsible for the incompatible functions of initiating IFTA refunds in the Road Toll System, posting the refund transmittals to the IFTA Clearinghouse website, and receiving and mailing the refund checks to the states owed the refunds.
3. One employee was responsible for the incompatible functions of processing manual Unified Carrier Registration (UCR) registrations, receiving registrants' payments for on-line registrations, and preparing the daily Cash Receipt Form A-17 and the bank deposit documents for the revenues. The transactions processed by this employee are not subsequently reconciled to ensure amounts received were accurately deposited and recorded in the State's accounting system, NHIFS.
4. The employee who performed the daily close-out of revenue postings in the Road Toll System (RTS) also performed incompatible functions of posting revenue transactions in the RTS and preparing the daily Cash Receipt Form A-17 and the bank deposit documents. While another Bureau employee reviewed the A-17 and deposit for accuracy and completeness, this review was not documented, and the control value of that review is lessened by the documents being returned to the preparer subsequent to the review. The segregation of duties risks related to the activities of this employee are increased by the employee's supervisory access in the RTS, which allows the employee access to post transactions that could hide an error or fraud.

Reasonable segregations of responsibilities should be in place to limit an employee's ability to perpetrate and conceal errors or fraud.

Recommendation:

The Bureau should review its revenue process and institute appropriate and reasonable segregation of responsibilities controls including effective review and approval controls. The Bureau should ensure that the effects of instituted review and approval controls are not unintentionally diminished through weaknesses inherent in subsequent procedures and actions.

Auditee Response:

We concur.

1. Starting in April 2010 we will be utilizing the New York State Department of Taxation and Finance (NYS DTF) IFTA Regional Processing Center (RPC) and the IFTA Clearinghouse for funds netting. All payments and refunds will be funds netted and we will only be funding two accounts through Electronic Funds Transfers. One account for participating jurisdictions will be handled through the IFTA Clearinghouse account and non-participating jurisdictions will be handled through the RPC account. This will eliminate the need of sending and receiving payments to and from 58 IFTA member jurisdictions. We will be advised by the IFTA clearinghouse and the RPC how much and when to transfer funds to these accounts. All this information is based upon taxpayer return information that is initially keyed into the RPC by Road Toll staff. The RPC updates the IFTA clearinghouse transmittal information that will determine how much will be required to fund both accounts. If revenues exceed payments due to other jurisdictions we will receive the revenue through EFT that will go directly into the appropriate state bank account. Basically employees will no longer handling revenue from or payments to other member jurisdictions. We are currently developing a process for reviewing and reconciling IFTA transmittal information to ensure that we are receiving and paying the correct amounts to member jurisdictions. These duties will be adequately segregated as to reduce the risk of misstatement or fraud from occurring.
2. See number 1, above.
3. The Administrative Secretary will receive UCR registrant payments for both on-line, mail and counter transactions for processing and recording purposes. The Auditor II will prepare the daily cash receipt form and bank deposit. The Accountant II will be responsible for reconciling UCR to NHFirst (the State's new accounting system).
4. On or before July 1, 2010 the new Automated Fuel Toll System (AFTS) will be going live. This system will allow for all monthly Motor Fuel Distributors and Oil Pollution Control Account returns to be filed electronically and payments to be made through Electronic Funds Transfer (EFT) therefore significantly reducing human interaction with processing fuel tax revenue. The AFTS will directly interface with NHFirst (the State's new accounting system). Returns mailed and manually processed will be keyed in by clerical road toll staff. The auditor II will continue to do the daily closeout and deposit which will be then be sent to the Accountant II for final processing approval which will be documented. On a monthly basis reconciliation will be performed by the Road Toll Administrator or the Chief of Road Toll Operations to ensure that all revenue is accounted for. Any significant variances will be investigated by management.

Observation No. 3: Results Of Desk Audits Should Be Monitored And Acted Upon

Observation:

The Bureau did not use its desk audit function as an effective control over taxpayer reported information during fiscal year 2009. While the Bureau's desk audits noted discrepancies in tax reports filed by licensed distributors, the Bureau reported that during fiscal year 2009 it did not consistently investigate or resolve routine discrepancies noted by the desk audits. Generally, discrepancies noted in desk audits also were not communicated to Bureau supervisors or to taxpayers. Discrepancies were investigated and resolved only if the distributor was selected for a

field audit. The lack of Bureau action to resolve recognized differences in taxpayer information went counter to the maintenance of an appropriate control environment.

The Bureau uses a Desk Audit Procedures Checklist to help ensure completeness and accuracy of reporting of fuel sales by distributors on the Motor Fuel and Aviation Distributor Report (MFD). The checklist includes procedures for verification of form calculations, reported inventories, and exempt sales, including a crosscheck of sales between licensed distributors to ensure all tax-free sales are reported and the appropriate party has paid all taxes due. Procedures require the desk auditor to date and initial each step upon completion. According to the checklist, all variances should be communicated to the licensee or to a supervisor for resolution.

The Bureau uses a Vessel Audit Procedures Checklist to help ensure all barge loads of petroleum product brought into the State and received at the docks are completely and accurately reported by the distributors on an Oil Discharge and Pollution Control Report (report of petroleum imports). The checklist includes procedures for the completion of a worksheet to compare the fuel reported on the port authority quantity certificates to the fuel reported by the distributors on prescribed forms and for the communication of the discrepancies to the distributor for resolution.

We reviewed a number of taxpayer reports that had been subject to the Bureau's desk audit function, including a random sample of 50 motor fuel and aviation fuel distributor reports and each of the 12 monthly vessel audit reports. We noted the following in the reviewed reports.

- One desk audit of a licensed distributor report did not detect that the taxpayer requested refund was based on the taxpayer's error in copying amounts from the supporting schedules to the summary page of the report. The Bureau issued a \$7,006 refund pursuant to the erroneous summary page of the report. The Bureau only became aware of the error when the taxpayer subsequently identified the mistake and returned the refund check to the Bureau.
- Desk audits were not completed timely during fiscal year 2009. Desk audits of motor fuel distributors were regularly performed more than three months after receipt of the reports.
- Reporting errors by distributors were identified on four of 12 desk reviews of vessel audit reports but were not communicated to distributors. The noted errors were left unresolved, resulting in an apparent \$1,182 underpayment of tax.
- Discrepancies noted by the vessel desk audits were not consistently communicated to distributors timely. Notifications were made from two to seven months after the initial submission of the reports.

Recommendation:

The Bureau should reestablish its desk audit function as an effective control activity for monitoring the accuracy of filed tax reports. Policies and procedures should be in place that require timely and effective review of taxpayer filed reports and timely reaction to correct discrepancies and other errors that may be detected.

The Bureau should monitor control performance and effectiveness to ensure controls, such as desk audits, do not become ineffective due to incomplete or untimely performance of the control activities, and to ensure noted differences are resolved.

Auditee Response:

We concur.

Our new Automated Fuel Toll System (AFTS) will resolve these issues, as the system's schedule validation process will identify discrepancies and errors during return processing and validation in real time. This new system will enable automated cross-matching between MFD and petroleum import returns. It will be able to cross-match transactions between licensed distributors (sales to and from) and generate an exception report for field audit. This will increase the effectiveness and efficiency in MFD and petroleum import audits. Desk audit procedures will be formally documented.

Although some discrepancies were not investigated or resolved it was our general practice to do so. Our policy is that any issues identified are placed in the Distributor File and a letter is sent to the distributor regarding the problem. When we conduct a field audit of the distributor all pending items in the file are audited. Due to these staffing constraints, not all issues identified in desk audit were addressed during the audit period.

The current procedure is as follows. When an issue or discrepancy is discovered during the completion of the Desk Audit Procedures Checklist the following actions shall be taken:

1. Document the issue on the desk audit checklist sheet and on the appropriate distributor's Audit Clerk spreadsheet(s).
2. Notify the distributor of the issue, either by telephone, email or letter. Document this correspondence on the checklist sheet.
3. If the issue can be resolved at that time, document the resolution and proceed with the checklist as normal. If the issue can not be resolved at that time, documentation of the issue is filed in the issue pending file by distributor. Copies of the checklist are filed with the return and also in the distributor's permanent file.
4. A review of pending issues shall be conducted monthly. If the issue is resolved, document the resolution on the checklist and corresponding Audit Clerk spreadsheet(s). If issues are still unresolved, a second attempt shall be made to contact the distributor. Issues that are still unresolved will be brought to the MFD Audit Supervisor for review.

Observation No. 4: Effective Controls Over Refunds Of Road Tolls Should Be Reestablished

Observation:

The Bureau's procedures, including related controls, for recording and reporting road toll refunds do not appear effective in light of errors noted during the audit.

The Bureau's policy requires an audit supervisor's review and approval for the issuance of refunds in excess of \$500 for:

- Overpayment of road tolls or petroleum import fees (called instant refunds paid to taxpayers).
- Road toll revenue, including audit and processing adjustments of road toll revenues, that are paid to other International Fuel Tax Agreement (IFTA) jurisdictions.

We noted the following errors in a random sample of 50 refund items tested, which indicate the intended control of a supervisor's review and approval was not effectively in place at the Bureau during fiscal year 2009.

1. An IFTA refund of \$81,502 was recorded in the Road Toll System (RTS) as \$8,502. This error was not detected by the Bureau until a month later, at which time a \$73,000 correcting adjustment was recorded.
2. An IFTA refund of \$6,654 was recorded in the RTS as \$6,644, resulting in an underpayment of \$10, which was not detected by Road Toll staff.
3. An IFTA refund of \$721 was recorded in the RTS as \$7,221, resulting in an overpayment of \$6,500, which was not detected by Road Toll staff.

In addition, in our test sample, we noted a Road Toll audit adjustment credit of \$22 which was not entered into the RTS but was correctly entered into the IFTA clearinghouse, resulting in the RTS Monthly Revenue spreadsheet not agreeing to the IFTA outgoing transmittal.

Also, during audit planning, we inquired about an \$11,779 refund issued by the Bureau to an IFTA member state. Upon our inquiry, the Bureau audit supervisor investigated and determined the refund was made, largely, to correct a prior keying error made by that other IFTA jurisdiction. The audit supervisor reported this refund would normally have been reviewed and approved without further inquiry or investigation, as the refund was issued to a state with significant trucking activity and the amount of refund would not have appeared unusual to the audit supervisor.

The relatively high error rate in recording refund transactions in the IFTA clearinghouse noted in our sample suggests management's reliance on the controls at the other IFTA states, and lack of emphasis on the Bureau's related control activities, may not be warranted.

Recommendation:

The Bureau should monitor the effectiveness of its refund control processes to ensure controls remain effective and in operation. Bureau employees involved in the refund process should be regularly trained and reminded of the importance of compliance with intended control activities. The Bureau should reestablish its review and approval controls over significant road toll refunds.

Auditee Response:

We concur.

The Bureau now has adequate controls in place. These items are considered isolated instances due to personnel difficulties which have since been resolved. Management has reasserted to

employees the requirement that all refunds in excess of \$500 are to be reviewed by an audit supervisor.

Observation No. 5: Utilization Of Available Information Technology Controls Should Be Improved

Observation:

Weaknesses exist in the Bureau's information technology systems and processes.

1. The Department's Business Continuity Plan, which covers Bureau operations, was completed in January 2009. The Plan had not received final approval and had not been placed into operation as of December 2009. Bureau management and other employees had not been trained in the Plan and the Plan remained untested at December 2009.
2. While the server room is only accessible to employees with assigned card-keys, the Bureau does not review system-generated reports to monitor access to the server room.
3. The Road Toll System (RTS) and Road Toll Refund Database (RTRD) do not force users to regularly change passwords. While this weakness is somewhat mitigated by stronger password controls on the network server, which has to be accessed prior to accessing the RTS and RTRD, employees are able to use network terminal access established by other employees to then log onto the RTS and RTRD.
4. An employee's access to the RTS and RTRD is not consistently deleted in a timely manner upon the employee's termination of service. A review of the RTS user access levels on August 3, 2009, noted five of 10 employees who terminated prior to July 2007 were still identified as having either data entry or supervisor access to the system. In addition, the access authority for one employee who left State service in July 2009 was not deleted until September 25, 2009. The lack of timely maintenance of user access authority is especially concerning in light of the password weakness noted in item 3, above.
5. As noted in Observation No. 2, a segregation of duties weakness exists in the RTS, as individuals with supervisory access have revenue collection, recording, and approval authority and can also make changes to interest rate tables. Individuals with manager access can change interest and penalty rates in the RTS and also have revenue collection, recording and/or approval authority.

Recommendation:

The Bureau should improve its utilization of available information technology controls.

1. The Department's Business Continuity Plan should be finalized and placed into operation as soon as practical. Bureau management and employees must become knowledgeable of, and trained in, the Department's Business Continuity Plan. To be reasonably sure the Plan will meet the needs of the Bureau, the Plan must be tested and the results of the tests reviewed for indication of suitability and needed revisions.
2. Server room access logs should be periodically reviewed to determine access to the server room is as intended.

3. Password controls should be strengthened. All significant information technology systems should require regular password changes to lessen the likelihood that employee passwords become known to others and subject to misuse.
4. Maintenance of user access authority to systems should be improved. Employee access to information systems should be immediately revised to reflect an employee's change in job responsibilities and employment status.
5. Segregation of duties should be improved to lessen the risk that an employee would have the access to both create an error or fraud and also be responsible for detecting and correcting errors and frauds that may occur.

Auditee Response:

1. We concur. At the time of inquiry the Chief of Road Toll Operations was aware that a business continuity plan called Continuation of Operations Plan (COOP) was being developed by the Agency. The version given to the auditors was a draft. This plan has not been finalized by the Department and therefore not distributed to employees. Upon final approval by the Commissioner's office the plan will be made available to employees and training will be conducted.
2. We concur. The Department will work with the Department of Information Technology (DoIT) to ensure that Server room access logs are reviewed periodically to assert that only authorized personnel have access to Server room.
3. We concur. It should also be noted that when we go live with the new Automated Fuel Toll System, all these controls will be part of the system design and are included in the system.
4. We concur. All former Road Toll Employees rights have been set at "Clerk I". Due to system limitations in the RTS if we completely remove them from the system any transactions created or processed by them will also be eliminated. Clerk I level cannot enter or change anything in the system. It should also be noted that if a person is not set up on the Department's network as a user they would be unable to access the RTS through the Bureau's PCs. They would have to gain access through using another Bureau employee's username and password. Also controls on the Department's Network require passwords be changed periodically.
5. We concur. As discussed in other observations we are addressing the segregations of duties to reduce the level of risk of errors or frauds not being detected in a timely manner.

Observation No. 6: Transactions Posted In Error Should Be Corrected

Observation:

Postings intended by the Bureau to work around limitations in the Road Toll System (RTS) can cause inaccurate information to be recorded in, and reported by, the RTS and can increase the risk for errors and frauds.

During revenue testing, we noted where an employee apparently inadvertently posted a tax payment to an account that had been "closed" since 1987. When the error was subsequently noted by the Bureau, a "dummy" \$0 transaction was recorded for the taxpayer in the RTS to

prevent a “notice of delinquent report” from being sent to the taxpayer who had made the report and payment. According to the Bureau, this workaround transaction was necessary as transactions initially recorded in the RTS cannot be reversed once the daily transactions have been closed. The Bureau did not correct the taxpayer’s actual payment record in the RTS. The Bureau reported it was previously unaware the RTS would allow the posting activity to otherwise closed accounts.

Allowing transactions to be posted to closed or otherwise inactive accounts significantly increases the risk of errors and frauds in recording transactions and processing related revenues.

Recommendation:

The Bureau should review the capabilities and limitations of its current RTS, and the RTS planned for implementation in fiscal year 2010, for risks and opportunities to mitigate those risks. The RTS should not permit transactions to be posted to inactive or closed accounts.

The Bureau should be able to rely on the RTS to record and report accurate road toll payment information. Postings intended to correct prior errors should correct the errors and not create additional misinformation.

Auditee Response:

We concur.

In 2010, the new Automated Fuel Toll System will resolve this issue.

Observation No. 7: Recovery Of Cost To Administer The Collection Of Petroleum Import Fees Should Be Reviewed

Observation:

The Department of Safety (Department) and Bureau do not regularly determine and analyze the costs incurred in the Bureau’s collection and auditing of the State’s petroleum import fees. Without that determination and analysis, the Bureau cannot ensure the amounts paid by the Department of Environmental Services (DES) to support the Department’s and Bureau’s collection and audit activities provides for a reasonable recovery of the costs incurred by the Bureau.

As provided for in statute and in the State’s operating budget, the Bureau bills the DES for the auditing of petroleum import fees. During fiscal year 2009, the Bureau collected and deposited approximately \$16.5 million of petroleum import fees in the DES accounts. The Bureau received approximately \$207,000 from DES to recover the costs of the Bureau’s related activities. According to the Bureau, the amount billed DES has been set for a number of years at the cost to fund three road toll auditor positions. The Bureau was unable to document how that

reimbursement rate was set and reports it has not since reviewed its costs of operations to establish whether that reimbursement rate is appropriate.

Based on documentation provided by the Bureau, approximately \$55,000 of auditor time was charged to petroleum import audits during fiscal year 2009. While it is clear that the Bureau incurs other collection costs in administering the petroleum import fees, the Bureau does not prepare any accumulation and analysis of those costs. Without that information, it is impossible to determine whether the amount paid by DES reasonably represents the Bureau's costs of collecting the DES program revenues.

Recommendation:

The Department and Bureau should establish a process for reasonably determining, and regularly reviewing, the cost to administer the collection of petroleum import fees. The Bureau should recover those costs from the DES.

Auditee Response:

We concur.

In response to the observation an analysis was done to determine if the amount of funds received by DES is a reasonable amount (see spreadsheet below). In fiscal year 2009 Road Toll Administration had an appropriation of approximately \$744,730. Returns processed by the Road Toll Administration are approximately 15,000. Of these returns, petroleum import represents approximately 19% of the processing activity or \$141,558. As noted in the observation the Field Audit Schedule Tracking (FAST) System showed audit staff time accounted for approximately \$55,000 resulting in an estimated total of \$196,558. The difference between these two amounts is \$10,442. Motor fuel and aviation distributor (MFD) and petroleum import audits are done at the same time. The MFD audit is done first and a significant amount of audit work can be utilized when doing the subsequent petroleum import audit. This results in less audit time being allocated to petroleum import audits. Based upon this analysis the Bureau concludes that the amount received in fiscal year 2009 is reasonable. We will review this calculation periodically.

Licensee Type	# of Licensees	Returns Filed Per Year	Total # of Returns Filed	Estimated Volume By Licensee Type	FY 2009 RT Admin Appropriation
ODPC	240	12	2,880	19.02%	\$ 744,257
MFD	190	12	2,280	15.06%	\$ 744,257
Transporters	65	12	780	5.15%	\$ 744,257
IFTA	2300	4	9,200	60.77%	\$ 744,257
			<u>15,140</u>	<u>100%</u>	<u>\$ 744,257</u>
				Administrative Cost	\$ 141,558
				Audit Cost Per FAST	\$ 55,000
					<u>\$ 196,558</u>

Observation No. 8: Adequacy Of Licensee Bonds Should Be Monitored

Observation:

The Bureau has not aggressively monitored for, and reacted to, changes in bonding requirements for road toll licensees.

Pursuant to RSA 260:37, licensed motor fuel distributors must file either a surety or cash bond equal to the greater of approximately three months of the distributor's anticipated road toll liability or \$10,000. The statute also provides that at least annually, the Department shall review for and notify distributors of required adjustments in bond levels.

According to the Bureau, a review of each distributor's bond liability amount is performed on a semi-annual basis, however not all distributors are notified when their bond liability has decreased. Also according to the Bureau, a distributor with an apparent increased bond requirement may not be required by the Bureau to increase their bond, if the distributor contacts Road Toll and reports the increase in business which would indicate the need for a larger bond was only temporary.

We compared the required bond amount to the actual bond on file for the motor fuel distributors licensed by the Bureau.

1. We noted the bond on file for nine of the 187 distributor licensees (4.8%) posting surety bonds was either greater or less than the required amount. When the results were discussed with the Bureau, the Bureau sent notification letters to six of the nine licensees requesting adjustments to their bond amounts. The Bureau did not request bond adjustments for the other three licensees.
 - In addition, during testing we noted the Bureau received a notice of bond cancellation by one licensee's surety; however, the Bureau did not take any action to ensure that a replacement bond for the appropriate amount had been obtained. Upon the auditor's inquiry, the Bureau determined the company's replacement bond had been issued two months after the cancellation of the prior bond, and the replacement bond was in an insufficient amount.
2. A review of the Road Toll System (RTS) cash bond listing for the eight distributor licensees posting cash bonds revealed bonds recorded as held for three of the eight licensees did not agree to the amounts reported as held by Treasury. The Bureau reported it had overlooked updating its RTS subsequent to receiving written notification from the Treasury that the bond amounts had changed.

Lack of regular maintenance of distributor bonds and related data in the RTS increases the likelihood that Bureau information is not accurate and bond amounts are not in compliance with statute. Inaccurate distributor bond amounts may result in a loss to the State if a distributor with a noncompliant bond defaults on road toll payments to the Bureau.

Recommendation:

The Bureau should regularly monitor for, and react to, changes in bond requirements for motor fuel distributors. Adjustments to bonds should be made timely after the completion of each review. The Bureau should establish policies and procedures to ensure bond adjustments are monitored, properly recorded, and distributor bond files remain current.

Auditee Response:

We concur.

The new Automated Fuel Toll System has a built in report that tracks licensee bond levels that can be run at anytime. This report keeps a running tabulation of each Motor Fuel Distributor's estimated road toll liability for three months. The Road Toll Administrator will monitor these reports monthly and whenever it appears these amounts should be adjusted whether it is an increase or decrease, the licensee shall be notified of the required change in the bond amount. Whenever, a notice of cancellation is received from a surety company it will be the Road Toll Administrator's responsibility to assure that there is no lapse in policy. Road Toll staff opening the mail will be instructed that all such correspondence be immediately forward to the Administrator. The Bureau will document this policy.

Observation No. 9: Policies and Procedures For Managing Accounts Receivable Should Be Formalized

Observation:

The Bureau has not established policies and procedures for managing its accounts receivable. While RSA 260:65-a, provides the Department of Safety with general guidance for writing off uncollectible road toll accounts receivable, the Department and Bureau have not established policies and procedures to assist employees in collecting accounts receivable and determining when an account should be deemed uncollectible and recommended for write off.

The Bureau has allowed some licensees to establish time payment agreements for road tolls owed to the Bureau. While the Bureau reports it does not have specific authority in statute or administrative rule to grant time payment agreements, it has used these agreements to collect amounts owed that otherwise might become uncollectible. At June 30, 2009, the Bureau estimated it had 12 licensees on payment plans with an outstanding balance of approximately \$65,000. During fiscal year 2009, eight of the 12 licensees with time payment agreements did not comply with the payment terms in their agreements.

Annually, the Bureau compiles a list of accounts receivable deemed uncollectible (generally amounts that have been owed the Bureau for a 12-month period) and forwards the list to the Commissioner of the Department of Safety for review and approval. In accordance with RSA 260:65-a, the list is forwarded to the Commissioner of the Department of Administrative Services for write-off. While an accompanying letter explains the general method and criteria

used to identify uncollectible accounts, there are no formal policies and procedures at the Bureau beyond the language in the letter to explain and direct the Bureau in the process of determining the collectibility of accounts receivable. The Bureau wrote off \$74,042 of accounts receivable as uncollectible during fiscal year 2009 representing amounts owed for more than 12 months as of June 30, 2008. Most of the accounts written off were related to International Fuel Tax Agreement (IFTA) licensees. Accounts receivable related to motor fuel distributors are seldom written off, as these licensees are bonded.

Recommendation:

The Bureau, in conjunction with the Department's business office, should establish formal policies and procedures for managing accounts receivable, including pursuing collection of amounts owed and determining when accounts receivable become uncollectible and should be written off.

The Bureau should review with the Department's legal counsel whether the Bureau has authority to issue time payment promissory notes. If required, the Bureau should pursue statutory or administrative rule authority for granting time payments.

Auditee Responses:

We concur.

We will formally document our accounts receivable policy and procedures for uncollectible accounts in conjunction with the business office. We will inquire with legal counsel whether the Bureau has the legal authority to enter into time payment promissory notes.

The collection policy for Motor Fuel Distributors is that if the monthly Motor Fuel Distributor Return is not filed on time the Distributor is contacted by telephone with a follow-up letter. If we do not get a response within several days we notify the Distributor that we will be canceling his license and proceed with collection on road tolls by going after the surety bond in accordance with RSA 260:39. Distributors do not pose a real collection risk since the Department holds a surety bond worth three months of estimated road toll liability.

The collection policy for IFTA licensees is as follows;

1. Any licensee who did not file a road toll return by the due date would be issued a Delinquency Notice (RT105D).
2. If not paid within 30 days an Impending Suspension Notice (RT 11) will be sent to licensee.
3. If not paid within 60 days a Suspension Notice (RT 12) is sent out notifying the licensee of suspension. Once suspended, the IFTA clearinghouse is notified so if the licensee attempts to move to another member jurisdiction and attempts to register they should not be able to. Most jurisdictions have a policy that requires the IFTA clearinghouse to be reviewed prior to issuing a license to a new licensee to determine if they are suspended or owe taxes to another jurisdiction.

The Bureau is exploring the use of the time payment module in NHFirst (the State's new accounting system) as an option. Currently we are maintaining a time payment folder with supporting documentation. The Accountant II will monitor monthly collections. If a licensee is in default the Administrative Secretary will be making collection calls with follow-up letter to the licensee. In cases of continued default we will turn the collection over to the Department of Justice's Collection Unit.

Observation No. 10: Expenditures Should Be Charged To The Proper Account

Observation:

The Department of Safety business office intentionally charged expenditures unrelated to Bureau operations to the Bureau's budgetary accounts during fiscal year 2009. Charging expenditures to improper accounts can lead to spending outside of authorized appropriations and noncompliance with the State's budget law.

- During fiscal year 2009, the Department's business office hired a clerk to work in the business office using an open position budgeted to the Bureau. The employee worked in the business office but was paid out of the Bureau account for approximately six months. When a position became available in the business office, the employee was transferred to that open position. The Bureau position to which the clerk was originally hired was eliminated subsequent to the employee's transfer to the business office position. Approximately \$19,000 was charged to the Bureau's payroll and benefits accounts during fiscal year 2009 related to this employee's work in the business office.
- The Department's business office reported it charged approximately \$3,900 of Department expenditures for building materials to Bureau expenditure accounts, even though the expenditures were not related to the Bureau's operations. The Department business office reported it charged the expenditures to the available appropriations in the Bureau accounts because there was insufficient time to transfer appropriations to fund the expenditure in the appropriate Department accounts prior to the end of the fiscal year.

Recommendation:

The Bureau and Department should charge expenditures to the proper budgetary accounts in order to maintain accurate records of the financial activities of the various divisions and bureaus. Compliance with the State's budget laws and budgetary expenditure controls should not be bypassed through improper recording of expenditures.

Appropriations that have been exhausted at the division or bureau level should not be supplemented by appropriations from other areas of the Department without authority granted by the Fiscal Committee of the General Court and the Governor and Council. Proper approvals for transferring budgeted appropriations should be obtained, prior to incurring expenditures beyond authorized budget levels.

Auditee Response:

We concur.

Employees may be reassigned from time to time during a biennium. The only time that it is possible to move an employee, and their payroll appropriation from one account to another, is at the beginning of each subsequent budget process.

It had been the Agency's intention to move the position to the Business Office as part of the initial 2010-11 budget preparation. However, since the position was open during the Governor's phase of the budget this position was eliminated as part of the reduction to meet the Governor's budget target.

The Department concurs with the second bullet in theory, however, even with diligence and frequent contacts regarding available balances purchases in addition to the available budget were made in error. This error was not discovered until the last week or two of the fiscal year when there was not sufficient time to follow normal transfer procedures. The funding used to pay these purchases was the same funding source as the account from which they were intended to be paid.

Subsequent to this occurrence a detailed and time intensive process has been implemented to log each purchase made by maintenance staff and to log each invoice payment to enable both the Maintenance Supervisor and the Director of Administration have full knowledge of where these accounts stand verses the appropriation.

Compliance

Observation No. 11: Administrative Rules Should Be Consistently Applied

Observation:

The Department and Bureau, since 1999, have granted one New Hampshire company a waiver from requirements in administrative rule relative to the application for refunds of road tolls. The waiver granted by the Department and Bureau does not appear to be supported by State statutes or rules.

- RSA 541-A:22, IV states, “No agency shall grant waivers of, or variances from, any provisions of its rules without either amending the rules, or providing by rule for a waiver or variance procedure. The duration of the waiver or variance may be temporary if the rule so provides.” N.H. Administrative Rules do not contain provisions for a waiver or variance related to the application for refund of road tolls.
- RSA 260:47, III, 2, states, “(b) The [road toll refund] application shall be in a form as the department shall prescribe and shall contain such information as required to give the commissioner a full and complete basis for determining the validity of the claim. (c) The application shall be accompanied by an invoice showing the purchase, together with evidence of payment of the invoice satisfactory to the commissioner.”
- Administrative Rule Saf-C 309.02 states, “(c) The following records shall be used to determine the amount of motor fuel upon which no road toll shall be levied where a person uses the fuel for purposes other than propelling a vehicle over the ways of this state: (1) A complete record of all fuel purchased, received and used in the conduct of business, including but not limited to: a. The date of each receipt of fuel; b. The name and address of the person from whom the fuel was purchased or received; c. The number of gallons received; d. The type of fuel; e. The vehicle or equipment into which the fuel was placed; and f. Receipts/invoices for all purchases of fuel”.

The Bureau reported, in July 1999 the Commissioner of the Department of Safety, during negotiations surrounding the results of a Bureau audit of a New Hampshire company, granted the company a waiver from having to submit documentation required by statute and N.H. Administrative Rule for refunds of road tolls. The company was also granted a flat, percentage rate for refund applications.

Since this agreement in 1999, the company has made 40 refund claims, totaling \$128,170, for off-road use of taxed fuel. The Bureau “fully disallowed” refunds on 0.2% of the gallons claimed, “partially disallowed” refunds on 7.5% of the gallons claimed, and refunded \$127,905 of the claimed amounts over this ten year period. In comparison, refund claims during this same period for similar companies had full and partial disallowance rates of 8.8% and 27.2%, respectively. The Bureau refunded \$5,805 to this company during fiscal year 2009.

Since the agreement in 1999, the Bureau has not performed a field audit or other analysis to determine whether the refunds claimed and paid to this company have reflected true amounts owed to the company.

Recommendation:

The Department and Bureau should not grant waivers and variances to road toll tax collections that are not provided for in statute and rule. Granting ad-hoc waivers and variances to a limited number of entities without allowing other taxpayers similar opportunities increases the likelihood that taxes are applied in an unfair and inconsistent manner.

The Department and Bureau should review with legal counsel the appropriate actions required to bring the Bureau into compliance with statute and rule.

The Bureau should review the refunds paid to this company to determine whether the refunds paid accurately represent amounts owed.

Auditee Response:

We concur.

This company has been notified that it will be required to file for refunds in accordance with RSA 260:47 and Saf-C 309 and maintain the appropriate supporting documentation.

Observation No. 12: Compliance With The Department's Interstate Agreements Should Be Improved

Observation:

The Bureau was not in compliance with certain provisions of its Unified Carrier Registration (UCR) and International Fuel Tax (IFTA) agreements during fiscal year 2009.

1. The Unified Carrier Registration (UCR) Agreement State Plan, signed on October 24, 2006 by the Department of Safety Commissioner, states; "The State shall demonstrate that an amount at least equal to the revenue derived by the State from the Unified Carrier Registration Agreement shall be used for motor carrier safety programs, enforcement, or administration of the UCR plan and UCR agreement."
 - The Bureau does not have a system in place to demonstrate that an amount at least equal to the revenue derived by the State from the UCR program is used for motor carrier safety programs, enforcement, or administration of the UCR plan and UCR program as required by the Agreement. UCR registration revenues collected by the Bureau are deposited as unrestricted general fund revenue. Expenditures for UCR safety programs, enforcement, and administration are paid from multiple budgeted Department of Safety accounts. The Bureau has no efficient means, nor made formal efforts, to correlate revenues collected to expenditures made.

2. Bureau staff are not trained in, nor have a system to assist with, UCR program compliance requirements. For example, the Bureau does not have a system in place for following up with companies that are not properly UCR registered.
 - Three out of a random sample of 25 IFTA licensees (12%) that should have been UCR registered were not. The Bureau inappropriately allowed one of the three to operate under another company's registration, presumably because the companies were owned by the same individual; however, per the UCR Agreement, companies must have a leasing agreement to operate in this manner. The other two companies had not submitted UCR registrations.
3. Section R1150 of the IFTA Articles of Agreement, signed during May 1996 by the Department of Safety Commissioner, states, "Refunds determined to be properly due shall be paid within 90 days after receipt of a request for payment from a licensee. If not so paid, interest shall accrue at the rate specified in IFTA Articles of Agreement Section R1230. Interest shall be calculated from the date the refund was due for each month or fraction thereof until paid."
 - The Bureau reports that it lacks statutory authority to pay interest on untimely refunds.

Recommendation:

1. The Bureau and Department of Safety should establish policies and procedures to demonstrate compliance with all significant aspects of its agreements, including ensuring that it can evidence that an amount at least equal to the revenue derived by the State from the UCR Agreement is used for motor carrier safety programs, enforcement, or administration of the UCR plan and agreement.
2. Bureau employees should be knowledgeable of and trained in the significant compliance aspects of the UCR program in order to reasonably ensure that employees are able to effectively and efficiently maintain and operate the program. Bureau employees should be provided with sufficient resources to promote the effective and efficient operations of the program.
3. The Bureau should review with legal counsel its authority to pay interest on delinquent refunds as provided for in the IFTA Agreement. If the Bureau determines that changes to statute are required to authorize the Bureau to pay interest, the Bureau should request legislation to that effect or renegotiate the interest payment requirement in the IFTA Agreement. While it is the practice and intention of the Bureau to continue to pay refunds timely, the Bureau should pursue statutory authority to comply with the IFTA Articles of Agreement if required.

Auditee Response:

1. We concur. The predecessor to UCR was the Single State Registration System (SSRS). All the revenues received by SSRS went to the General Fund. When UCR was put into place it was decided by the General Court during the budget process that these revenues should continue to go to the General Fund. Troop G within the Division of State Police is responsible for enforcing Motor Carrier Safety. Troop G's state funding is 100% from the Highway Fund. We believe that depositing these revenues into the Highway Fund would resolve the issue. In 2009 Legislative Session the Department sought legislation to move the

UCR revenue to the Highway Fund. This legislation included an enforcement mechanism that allowed the Department's State Police to issue fines to motor carriers who were operating without UCR authority. This resulted in HB629 that was "retained in committee". We will continue to monitor this legislation and if necessary we will introduce new legislation.

2. We concur. There have been recent staffing changes in the Bureau due to retirements that have allowed reassigning duties and the implementation of training to ensure that the staff is adequately trained in the responsibilities and requirements involved in UCR registrant processing.
3. We concur. The Bureau will review with legal counsel its authority to pay interest on delinquent refunds. The Department processes the IFTA refunds within the 90 day period required by the IFTA agreement. If a refund is not processed within the 90 days it is due to the fact that the licensee did not provide adequate documentation to process the refund. The IFTA agreement has a dispute resolution process and we have been a member since 1997. To date we have received no formal complaint regarding IFTA refunds from any member jurisdictions.

Observation No. 13: Reporting Responsibility Of Bureau Administrator Should Be Clarified

Observation:

The placement of the Bureau within the Department of Safety, Division of Administration's organization structure as described in the State operating budget is contrary to the Bureau Administrator's reporting line of authority as described in statute. During fiscal year 2009, the Bureau administrator reported to the Director of the Division of Administration and not to the Director of the Division of Motor Vehicles.

RSA 21-P:9, II, establishes the position of Road Toll Administrator, who is responsible for the administration of the motor vehicle road toll law, under the control of the Director of Motor Vehicles.

For more than ten years, State operating budgets have accounted for the Bureau's operations within the Department's Division of Administration. The Bureau Administrator's reporting responsibility has followed that accounting structure during that time, contrary to RSA 21-P:9.

The Department reports House Bill 282 was introduced during the 2007 Legislative Session to realign the statute to the structure in the State operating budget. The bill was determined to be inexpedient to legislate, as a study was being conducted to determine whether the Bureau should be transferred to the Department of Revenue Administration.

A similar comment was contained in the 2006 audit of fee and fine revenues collected by the Division of Motor Vehicles and the 1999 audit of the Division of Motor Vehicles.

Recommendation:

The Department of Safety and Bureau should continue to seek to clarify the reporting responsibility of the Road Toll Administrator.

Auditee Response:

We concur.

The Department will continue through the personnel rules or legislatively to clarify the reporting responsibility of the Road Toll Administrator.

Observation No. 14: Required Reports Should Be Submitted Timely

Observation:

The Bureau and Department were not in compliance with certain reporting requirements in RSA 146-D:8, III and RSA 260:60 during fiscal year 2009.

The following statutes direct the Department and Bureau to file certain reports (emphasis added).

1. RSA 146-D:8, III, states “the commissioner of safety shall file reports with the oil fund disbursement board on a quarterly basis, relative to the administrative costs of the department's collection activities under RSA 146-D:3, III. Such report shall include detailed accounting of such costs, including procedures taken to separate such costs from any other administrative costs incurred by the department relative to any other statutory responsibilities of the department.”
 - The Bureau reported it was unaware that it was required by statute to report certain information to the Oil Fund Disbursement Board on a quarterly basis. The Bureau did not make the reports during fiscal year 2009 and, according to the Bureau, the Oil Fund Disbursement Board did not request the reports from the Bureau.
2. RSA 260:60, states, “annually, on or before June 1, the road toll administrator shall compare the number of gallons on which refunds have been made for the preceding calendar year for motor fuel used in the propulsion of boats on inland public waters of the state, with the number of gallons of such motor fuel sold and delivered directly into the fuel tanks, or supplementary fuel tanks, of boats or outboard motors upon the inland public waters for use in such boats or outboards, based on the number of boats registered in the state at 100 gallons usage per boat, and if there is any balance of unrefunded tolls so collected, the administrator shall report the same to the comptroller who shall, on July 1, next following, credit 1/2 of said balance to the general fund and credit 1/2 of said balance to the fish and game department.”
 - The Bureau filed reports for unfunded boat refunds on June 23, 2009, 22 days after the required date.

The Bureau reported users of the reports have not requested earlier availability of the reports.

Recommendation:

The Bureau should comply with statutes directing the timely submission of reports of road toll activity.

If the Bureau determines that it cannot report appropriate road toll activity in the timeframe required by statutes, the Bureau should request legislation to change its reporting requirements.

Auditee Response:

1. We concur. The business office does invoice DES on a monthly basis for expenditures incurred by the Bureau and DES provides a monthly summary to the Board of fund activity. We will work with DES and the Oil Fund Disbursements Board (Board) to develop a format for a quarterly report to be submitted to the Board.
2. We concur. In the future, we will strive to have these filed by June 1.

Independent Auditor's Report

To The Fiscal Committee Of The General Court:

We have audited the accompanying Statement of Revenues and Expenditures - General, Highway, and Capital Projects Funds, of the Road Toll Bureau (Bureau) of the New Hampshire Department of Safety for the fiscal year ended June 30, 2009. This financial statement is the responsibility of the management of the Bureau. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statement of the Bureau is intended to present certain financial activity of only that portion of the State of New Hampshire that is attributable to the transactions of the Bureau. The Statement of Revenues and Expenditures - General, Highway, and Capital Projects Funds, does not purport to and does not constitute a complete financial presentation of either the Bureau or the State of New Hampshire in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the matter discussed in the third paragraph, the financial statement referred to above presents fairly, in all material respects, certain financial activity of the Bureau for the fiscal year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the Statement of Revenues and Expenditures - General, Highway, and Capital Projects Funds, of the Bureau. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2009 on our consideration of the Bureau's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office Of Legislative Budget Assistant

December 11, 2009

**STATE OF NEW HAMPSHIRE
ROAD TOLL BUREAU
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Revenues</u>	<u>General Fund</u>	<u>Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Unrestricted Revenues				
Uniform Carrier Registration	\$ 1,231,541	\$ -0-	\$ -0-	\$ 1,231,541
Airway Toll	271,771	-0-	-0-	271,771
Oil License Fee	100,000	-0-	-0-	100,000
Road Toll	-0-	132,942,053	-0-	132,942,053
Total Unrestricted Revenues	<u>1,603,312</u>	<u>132,942,053</u>	<u>-0-</u>	<u>134,545,365</u>
Restricted Revenues				
Oil Discharge And Disposal Fee	10,102,879	-0-	-0-	10,102,879
Fuel Oil Cleanup And Storage Fee	2,791,977	-0-	-0-	2,791,977
Oil Pollution Control Fee	2,210,203	-0-	-0-	2,210,203
Gasoline Remediation Fee	1,317,545	-0-	-0-	1,317,545
Transfer From Transportation	1,294,116	-0-	-0-	1,294,116
Transfer From Environmental Services	207,200	-0-	-0-	207,200
Federal/Other Revenue	39,414	-0-	-0-	39,414
Highway And Bridge Betterment Fee	-0-	14,224,209	-0-	14,224,209
Total Restricted Revenues	<u>17,963,334</u>	<u>14,224,209</u>	<u>-0-</u>	<u>32,187,543</u>
Total Revenues	<u>19,566,646</u>	<u>147,166,262</u>	<u>-0-</u>	<u>166,732,908</u>
Expenditures				
Salaries And Benefits	1,538,029	-0-	-0-	1,538,029
Current Expenses	54,242	-0-	-0-	54,242
Equipment	31,634	-0-	-0-	31,634
Other	26,070	-0-	-0-	26,070
Enhanced Road Toll System	-0-	-0-	468,379	468,379
Total Expenditures	<u>1,649,975</u>	<u>-0-</u>	<u>468,379</u>	<u>2,118,354</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures				
	<u>17,916,671</u>	<u>147,166,262</u>	<u>(468,379)</u>	<u>164,614,554</u>
Other Financing Sources (Uses)				
Transfer To Dept. Of Environmental Services (Note 3)	(16,422,604)	-0-	-0-	(16,422,604)
Transfer To Dept. Of Transportation (Note 4)	-0-	(14,224,209)	-0-	(14,224,209)
Transfer To Fish And Game Department (Note 4)	-0-	(1,654,822)	-0-	(1,654,822)
Transfer To General Fund (Note 4)	-0-	(865,284)	-0-	(865,284)
Transfer To Dept. Of Resources And Economic Development (Note 4)	-0-	(789,538)	-0-	(789,538)
Net Appropriations (Note 2)	109,245	-0-	468,379	577,624
Total Other Financing Sources (Uses)	<u>(16,313,359)</u>	<u>(17,533,853)</u>	<u>468,379</u>	<u>(33,378,833)</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses				
	<u>\$ 1,603,312</u>	<u>\$ 129,632,409</u>	<u>\$ -0-</u>	<u>\$ 131,235,721</u>

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

**STATE OF NEW HAMPSHIRE
ROAD TOLL BUREAU**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The Road Toll Bureau (Bureau) is an organization of the primary government of the State of New Hampshire. The accompanying financial statement reports certain financial activity of the Bureau.

The financial activity of the Bureau is accounted for and reported in the General, Highway, and Capital Projects Funds in the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities, and fund balances are reported by fund for the State as a whole in the CAFR. The Bureau, as a portion of a department of the primary government, accounts for only a small portion of the General, Highway, and Capital Projects Funds and those assets, liabilities, and fund balances as reported in the CAFR that are attributable to the Bureau cannot be determined. Accordingly, the accompanying Statement of Revenues and Expenditures - General, Highway, and Capital Projects Funds, is not intended to show the financial position or fund balance of the Road Toll Bureau in those funds.

B. Financial Statement Presentation

The State of New Hampshire and the Bureau use funds to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Bureau reports its financial activity in the fund described below.

Governmental Fund Type:

General Fund: The General Fund is the State's primary operating fund and accounts for all financial transactions not specifically accounted for in any other fund. All revenues of governmental funds, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

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

Capital Projects Fund: The Capital Projects Fund is used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of State bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

C. Measurement Focus And Basis Of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, except for federal grants, the State generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due.

D. Budget Control And Reporting

General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose, or that the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary fund types, with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the budget and actual comparison schedule in the State of New Hampshire CAFR. Fiduciary Funds are not budgeted.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. Budgetary control is at the department level. In accordance with RSA 9:16-a, notwithstanding any other provision of law, every department is authorized to transfer funds within and among all program appropriation units within said department, provided any transfer of \$2,500 or more

shall require prior approval of the Joint Legislative Fiscal Committee and the Governor and Council.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations lapse at year-end to undesignated fund balance unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as reservation of fund balance. The balance of unexpended encumbrances is brought forward into the next fiscal year. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. The Bureau's unliquidated encumbrance balance in the General, Highway, and Capital Projects Funds at June 30, 2009 were \$389, \$0, and \$268,200, respectively.

A Budget To Actual Schedule, General and Highway Funds, is included as supplementary information.

NOTE 2 - NET APPROPRIATIONS

Net appropriations reflect appropriations for expenditures in excess of restricted revenues not otherwise used (transferred to a Department or Fund).

NOTE 3 - TRANSFER TO DEPARTMENT OF ENVIRONMENTAL SERVICES

During fiscal year 2009, the Bureau collected and processed \$16,422,604 of petroleum import fees on behalf the Department of Environmental Services (DES). The amounts collected by the Bureau are deposited directly into the various dedicated accounts at the DES.

NOTE 4 - TRANSFERS TO DEPARTMENTS OF TRANSPORTATION, FISH AND GAME, RESOURCES AND ECONOMIC DEVELOPMENT AND THE GENERAL FUND

Pursuant to RSA 235:23-a, \$0.0176 per gallon of gasoline road toll collected is transferred to the Highway and Bridge Betterment Account at the Department of Transportation. During fiscal year 2009, the Bureau collected and transferred \$14,224,209 to the Highway and Bridge Betterment Account.

Pursuant to RSA 260:60, the amount of unrefunded boat road toll paid is credited half to the General Fund and half to the Fish and Game Department. During FY 2009, the Bureau transferred \$865,284 to the Fish and Game Fund and the General Fund.

Pursuant to RSA 260:61, the amount of unrefunded Off Highway Recreational Vehicle road toll paid is credit half to the Department of Resources and Economic Development (DRED), Bureau of Trails and half to the Fish and Game Department. During FY 2009, the Bureau transferred \$789,538 to DRED, Bureau of Trails and the Fish and Game Department as required.

NOTE 5 - EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The Road Toll Bureau, as an organization of the State government, participates in the New Hampshire Retirement System (Plan). The Plan is a contributory defined-benefit plan and covers all full-time employees of the Bureau. The Plan qualifies as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. RSA 100-A established the Plan and the contribution requirements. The Plan, which is a cost-sharing, multiple-employer Public Employees Retirement System (PERS), is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to all members.

Group I members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of AFC multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service. Members in service with ten or more years of creditable service who are between ages 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

All covered Bureau employees are members of Group I.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During the twelve months ended June 30, 2009, Group I members were required to contribute 5% and Group II members were required to contribute 9.3% of gross earnings. The State funds 100% of the employer cost for all of the Bureau's employees enrolled

in the Plan. The annual contribution required to cover any normal cost beyond the employee contribution is determined every two years based on the Plan's actuary.

The Bureau's payments for normal contributions for the fiscal year ended June 30, 2009 amounted to 8.74% of the covered payroll for its Group I employees. The Bureau's normal contributions for the fiscal year ended June 30, 2009 were \$91,701.

A special account was established by RSA 100-A:16, II (h) for additional benefits. During fiscal year 2007, legislation was passed that permits the transfer of assets into the special account for earnings in excess of 10.5% as long as the actuary determines the funded ratio of the retirement system to be at least 85%. If the funded ratio of the system is less than 85%, no assets will be transferred to the special account.

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

Other Postemployment Benefits

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses within the limits of the funds appropriated at each legislative session. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired after July 1, 2003 to have 20 years of State service in order to qualify for health insurance benefits. These and similar benefits for active employees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, which is the State's self-insurance fund implemented in October 2003 for active State employees and retirees. The State recognizes the cost of providing these benefits on a pay-as-you-go basis by paying actuarially determined contributions into the fund. The New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees also contributes to the fund.

The cost of the health benefits for the Bureau's retired employees and spouses is a budgeted amount paid from an appropriation made to the administrative organization of the New Hampshire Retirement System and is not included in the Bureau's financial statement.

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

**STATE OF NEW HAMPSHIRE-ROAD TOLL BUREAU
BUDGET TO ACTUAL SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Revenues</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Unrestricted Revenues			
Uniform Carrier Registration	\$ 2,176,000	\$ 1,231,541	\$ (944,459)
Airway Toll	368,271	271,771	(96,500)
Oil License Fee	100,000	100,000	-0-
Total Unrestricted Revenues	<u>2,644,271</u>	<u>1,603,312</u>	<u>(1,040,959)</u>
Restricted Revenues			
Oil Discharge And Disposal Fee	10,098,000	10,102,879	4,879
Fuel Oil Cleanup And Storage Fee	3,777,233	2,791,977	(985,256)
Oil Pollution Control Fee	2,518,151	2,210,203	(307,948)
Gasoline Remediation Fee	999,100	1,317,545	318,445
Transfer From Transportation	1,408,114	1,294,116	(113,998)
Transfer From Environmental Services	194,203	207,200	12,997
Federal/Other Revenue	-0-	39,414	39,414
Total Restricted Revenues	<u>18,994,801</u>	<u>17,963,334</u>	<u>(1,031,467)</u>
Total Revenues	<u>21,639,072</u>	<u>19,566,646</u>	<u>(2,072,426)</u>
 Expenditures			
Salaries And Benefits	1,454,565	1,538,029	(83,464)
Current Expenses	116,272	54,242	62,030
Equipment	-0-	31,634	(31,634)
Other	31,480	26,070	5,410
Total Expenditures	<u>1,602,317</u>	<u>1,649,975</u>	<u>(47,658)</u>
 Excess (Deficiency) Of Revenues Over (Under) Expenditures			
	<u>20,036,755</u>	<u>17,916,671</u>	<u>(2,120,084)</u>
 Other Financing Sources (Uses)			
Transfer To Dept. Of Environmental Services (Note 2)	(17,392,484)	(16,422,604)	(969,880)
Net Appropriations (Note 4)	-0-	109,245	(109,245)
Total Other Financing Sources (Uses)	<u>(17,392,484)</u>	<u>(16,313,359)</u>	<u>(1,079,125)</u>
 Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses			
	<u>\$ 2,644,271</u>	<u>\$ 1,603,312</u>	<u>\$ (1,040,959)</u>

The accompanying notes are an integral part of this schedule.

**STATE OF NEW HAMPSHIRE-ROAD TOLL BUREAU
BUDGET TO ACTUAL SCHEDULE - HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Revenues</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Unrestricted Revenues			
Road Toll	\$ 139,900,000	\$ 132,942,053	\$ (6,957,947)
Total Unrestricted Revenues	<u>139,900,000</u>	<u>132,942,053</u>	<u>(6,957,947)</u>
Restricted Revenues			
Highway And Bridge Betterment Fee	15,000,000	14,224,209	(775,791)
Total Restricted Revenues	<u>15,000,000</u>	<u>14,224,209</u>	<u>(775,791)</u>
Total Revenues	<u>154,900,000</u>	<u>147,166,262</u>	<u>(7,733,738)</u>
 <u>Expenditures</u>			
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>154,900,000</u>	<u>147,166,262</u>	<u>(7,733,738)</u>
 Other Financing Sources (Uses)			
Transfer To Dept. Of Transportation (Note 3)	(15,000,000)	(14,224,209)	(775,791)
Transfer To Fish And Game Department (Note 3)	-0-	(1,654,822)	1,654,822
Transfer To General Fund (Note 3)	-0-	(865,284)	865,284
Transfer To Dept. Of Resources And Economic Development (Note 3)	(793,810)	(789,538)	(4,272)
Total Other Financing Sources (Uses)	<u>(15,793,810)</u>	<u>(17,533,853)</u>	<u>1,740,043</u>
 Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>\$ 139,106,190</u>	<u>\$ 129,632,409</u>	<u>\$ (9,473,781)</u>

The accompanying notes are an integral part of this schedule.

Notes To The Budget To Actual Schedule - General And Highway Funds For The Fiscal Year Ended June 30, 2009

Note 1 - General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes annual budgets for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary fund types with the exception of the Capital Projects Fund.

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

The budget, as reported in the Budget To Actual Schedule, reports the initial operating budget for fiscal year 2009 as passed by the Legislature in Chapter 262, Laws of 2007.

Budgetary control is at the department level. In accordance with RSA 9:16-a, notwithstanding any other provision of law, every department is authorized to transfer funds within and among all program appropriation units within said department, provided any transfer of \$2,500 or more shall require approval of the Joint Legislative Fiscal Committee and the Governor and Council. Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year-end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or are legally defined as non-lapsing accounts.

Variances - Favorable/(Unfavorable)

The variance column on the Budget To Actual Schedule highlights differences between the original operating budget and the actual revenues and expenditures for the fiscal year ended June 30, 2009. Actual revenues exceeding budget or actual expenditures being less than budget

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

The unfavorable expenditure variances shown on the Budget to Actual schedule represents the difference between the actual expenditures incurred during the fiscal year ended June 30, 2009 and the original budget in place at the beginning of fiscal year 2009. The unfavorable expenditure variance does not represent expenditures incurred in excess of appropriations because the original budget amounts do not include supplemental appropriations. The State and the Bureau use supplemental appropriations to add appropriations to original budget amounts to reflect changes in levels of operations not provided for in the original budget.

Note 2 - Transfer To Department of Environmental Services

During fiscal year 2009, the Bureau collected and processed \$16,422,604 of petroleum import fees on behalf of the Department of Environmental Services. The amounts collected by the Bureau are deposited directly into the various dedicated funds at the Department of Environmental Services. There is no budget for these accounts at the Bureau. The amounts reported as Original Budget on the accompanying Budget to Actual Schedule are the amounts budgeted for these accounts at the Department of Environmental Services.

Note 3 - Transfers To Department Of Transportation, Fish And Game Department, General Fund And Department Of Resources And Economic Development

Pursuant to RSA 235:23-a, \$0.0176 per gallon of road toll collected is transferred to the Highway and Bridge Betterment Account at the Department of Transportation. During fiscal year 2009, the Bureau collected and transferred \$14,224,209 to the Highway and Bridge Betterment Account. The amount reported as the Original Budget on the accompanying Budget to Actual Schedule is the amount budgeted for this account at the Department of Transportation.

Pursuant to RSA 260:60, the amount of unrefunded boat road toll collected is credited half to the General Fund and half to the Fish and Game Department. During fiscal year 2009, the Bureau transferred \$865,284 to the Fish and Game Fund and \$865,284 to the General Fund.

Pursuant to RSA 260:61, the amount of unrefunded off highway recreational vehicle road toll collected is credit half to the Department of Resources and Economic Development (DRED), Bureau of Trails and half to the Fish and Game Department. During fiscal year 2009, the Bureau transferred \$789,538 to DRED, Bureau of Trails and \$789,538 to the Fish and Game Department. The amount reported as the Original Budget on the accompanying Budget to Actual Schedule is the amount budgeted for this account at DRED, Bureau of Trails.

NOTE 4 - Net Appropriations

Net appropriations reflects appropriations for expenditures in excess of restricted revenue not other wise used (transferred to another Department or Fund).

APPENDIX - CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary, as of December 11, 2009, of the current status of the observations related to the Road Toll Bureau contained in the audits of the Fee And Fine Revenues Collected By The Division Of Motor Vehicles for fiscal year 2006 and the audit of The Department Of Safety for the eighteen months ended December 31, 1993. A summary of the 2006 audit report, which excluded the revenues collected by the Road Toll Bureau from the scope of the audit, can be accessed at, and printed from, the Office of Legislative Budget Assistant website. www.gencourt.state.nh.us/lba/audit.html

	<u>Status</u>		
2006 - Fee And Fine Revenue Collected By Division Of Motor Vehicles			
<i>State Compliance Comments</i>			
21. The Division's Organization Structure Should Be As Described In Statute (See Current Observation No. 13)	●	○	○
1993 – Department Of Safety			
<i>Internal Control Comments</i>			
<i>Reportable Conditions</i>			
4. Inadequate Audit Trail For Replacement Transactions In The Road Toll Bureau	●	●	●
11. Overstatement Of Road Toll Accounts Receivable	●	●	●
<i>State Compliance Comments</i>			
20. Statutory Lien Powers Not Used On Delinquent Road Toll Accounts	●	○	○

<u>Status Key</u>	●	●	●	<u>Count</u>
Fully Resolved	●	●	●	2
Substantially Resolved	●	●	○	0
Partially Resolved	●	○	○	2
Unresolved	○	○	○	0

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