

LBA Financial Audit Report Summary:

Department of Transportation Management Letter For The Fiscal Year Ended June 30, 2005

We audited the financial statements of the New Hampshire Turnpike System and Highway Fund, as of and for the fiscal year ended June 30, 2005 and issued our reports thereon dated March 3, 2006 and March 16, 2006, respectively.

This management letter, a byproduct of those audits, contains an auditor's report on internal control over financial reporting and on compliance and other matters. The following is a list of the comments referenced in that report.

Internal Control Comments

Material Weaknesses

- Internal Controls Must Be Improved
- Core Financial Accounting And Reporting Personnel Resources Must Be Strengthened
- Regular Analysis Of Highway Fund Balances Must Be Performed
- Controls Over Classification Of Participating Costs Should Be Improved
- Understanding Of General Bond Resolution Requirements Should Be Improved

Other Reportable Conditions

Project Accounting

- Monitoring Controls Need To Be Strengthened
- Current Bill Limitations Related To Changes In Federal Participation Rates Should Be Reviewed
- Controls Must Be Established For Summary Level Transfer Adjustments
- Error Reports Must Be Reviewed And Acted Upon
- Procedures To Ensure Complete Reporting Of Capital Assets Need To Be Improved
- Encumbrance Controls Should Be Used For All Project Expenditures
- Program Policies And Procedures Should Incorporate Financial Requirements

Turnpike System

- Controls Should Be Established Over Toll Collection Receipts Processed On New Automated Toll Collection System
- Toll Revenue Reconciliation Control Procedures Must Be Improved
- Internal Controls Over Federal Participation In Turnpike Construction Projects Should Be Improved
- Reconciliation Controls Should Be Utilized
- Accounting For Equipment Purchased With CMAQ Funding Must Be Improved

Other Administration

- Controls Over Verifying Time Worked Should Be Clarified
- Computer Access Controls Should Be Reviewed
- Payments For ROW Activities Should Be Drawn As Needed And Not Drawn Prior To Planned Disbursement
- Procedures for Processing Employee Terminations Should Be Properly Segregated
- Controls Should Be Established Over Road Toll Revenues Posted To The Department's Accounting Records By The Department of Safety
- Comprehensive Policies And Procedures Manual Should Be Established For ROW Bureau
- Formal Fraud Prevention, Deterrence, And Detection Program Should Be Established
- Formal Risk Assessment Policies And Procedures Should Be Established
- Fees Should Be Based In Statute Or Rule

State Compliance Comments

- Compliance With State And Department Meal Reimbursement Policies Should Be Improved
- Compliance With Administrative Rules Requirements Should Be Improved

Federal Compliance Comments

- ROW Payments Should Be Based On Actual Costs And Not Estimates
- ROW Payments Should Be Based On Actual Allowed Costs

Also attached to the letter are two appendices. Appendix A provides a summary of the status of observations presented in the prior, fiscal year 1994, audit report of the New Hampshire Department of Transportation (Excluding the Bureau of Turnpikes). Appendix B is a letter from the Commissioner of the Department of Transportation.

Copies of the New Hampshire Turnpike System Comprehensive Annual Financial Report and The Highway Fund Audited Financial Statements can be obtained from the New Hampshire Department of Transportation, 7 Hazen Drive, P.O. Box 483, Concord, NH 03302-0483.