

STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-
TECHNICAL COLLEGES

AUDIT REPORT
FOR THE NINE MONTHS ENDED
MARCH 31, 1998

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Background And Organization	1
Responsibilities	1
Funding	3
Trust And Agency Funds.....	3
Prior Audit	5
Audit Objectives And Scope	5
CONSTRUCTIVE SERVICE COMMENTS SECTION	
Auditor’s Report On Compliance And On Internal Control Over Financial Reporting.....	6
<i>Internal Control Comments</i>	
<i>Material Weaknesses</i>	
1. Significant Deficiencies In The Revenue Collection Process.....	8
2. Lack Of Documentation To Support Fixed Assets Valuation	13
<i>Other Reportable Conditions</i>	
3. Weaknesses In Department Billing Procedures	15
4. Increased Controls Needed Over The Finance System	17
5. Internal Auditor Position Not Being Utilized For Its Intended Purpose	18
6. Overstatement Of Agency Fund Activity	19
7. No Written Policy Over Student Activity Account Disbursements	20
8. Unwritten Agreement With SAU #36 To Reimburse Payroll Costs	21
<i>Compliance Comments</i>	
<i>State Compliance</i>	
9. Lack Of Records Retention Policies And Procedures	23
10. Statutorily Required Reports Not Filed Timely	24
<i>Federal Compliance</i>	
11. Lack of Documentation To Support Charges To Transitions/Transformations Program	26
12. Various Instances Of Noncompliance With Student Financial Aid Requirements.....	27
13. Noncompliance With Reporting Requirements Of The Campus Security Act And Drug-Free Schools And Communities Act	28
Auditor’s Report On Management Issues.....	30
<i>Management Issues Comments</i>	
<i>Management Issues</i>	
14. Lack Of A Disaster Contingency Plan	31
15. Lack Of Support For The 5.5% Administrative Charge Calculation.....	32
16. Year 2000 Compliance Readiness.....	33

TABLE OF CONTENTS (Continued)

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	34
Financial Statements	
Combined Statement Of Revenues And Expenditures - Budget And Actual - General, Capital Projects And Special Funds	36
Combined Balance Sheet - Fiduciary Funds	38
Combining Statement Of Changes In Assets And Liabilities - Agency Funds	39
Combined Statement Of Revenues, Expenditures And Changes In Fund Balance - Expendable Trust Funds	40
Notes To The Financial Statements	41
Supplementary Information	
Schedule Of Budgetary Components - General Fund	52
Schedule Of Budgetary Components - Capital Projects Fund	53
Schedule Of Budgetary Components - Special Fund	54
Schedule Of Revenues And Expenditures By Region	55
Schedule Of Expenditures Of Federal Awards (Cash Basis)	56
APPENDIX - Current Status Of Prior Audit Findings	
Management Letter	A-1
New Hampshire Technical College - Nashua	A-2
New Hampshire Technical College - Claremont	A-3
New Hampshire Technical College - Manchester	A-4
New Hampshire Technical College - Stratham	A-5
New Hampshire Technical College - Laconia	A-6
New Hampshire Technical College - Berlin	A-7
New Hampshire Technical Institute - Concord	A-8
Office Of The Commissioner	A-9

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

Background And Organization

The Department of Postsecondary Vocational-Technical Education was restructured in 1993 to include the office of the commissioner, the New Hampshire technical institute, six vocational-technical colleges and the police standards and training council. In 1995, pursuant to Chapter Law 182, the Department was renamed the Department of Regional Community-Technical Colleges and enlarged to include the administration of the Christa McAuliffe Planetarium. The Planetarium was previously the responsibility of the Department of Cultural Affairs.

The scope of this audit excludes the Police Standards and Training Council (PSTC) and the Christa McAuliffe Planetarium as these components operate differently from the other educational facilities. The PSTC is functionally and financially autonomous from the Department of Regional Community-Technical Colleges (the Department). A separate audit of the PSTC was performed for the nine months ended March 31, 1997. The Planetarium was recently transferred to the Department and during our audit period was undergoing a reorganization, hence these two components have been excluded from the scope of this audit. All future references to the Department will not include these two components.

The Department is governed by a Board of Governors comprised of seven members; three from the business field, two from the education field, one from the health services field and one from labor. The members are appointed by the Governor and Council and serve staggered four year terms. The Board is responsible for determining Department policy and overseeing the administration of the Department, setting tuition rates and developing a comprehensive strategic plan for the regional community-technical college system.

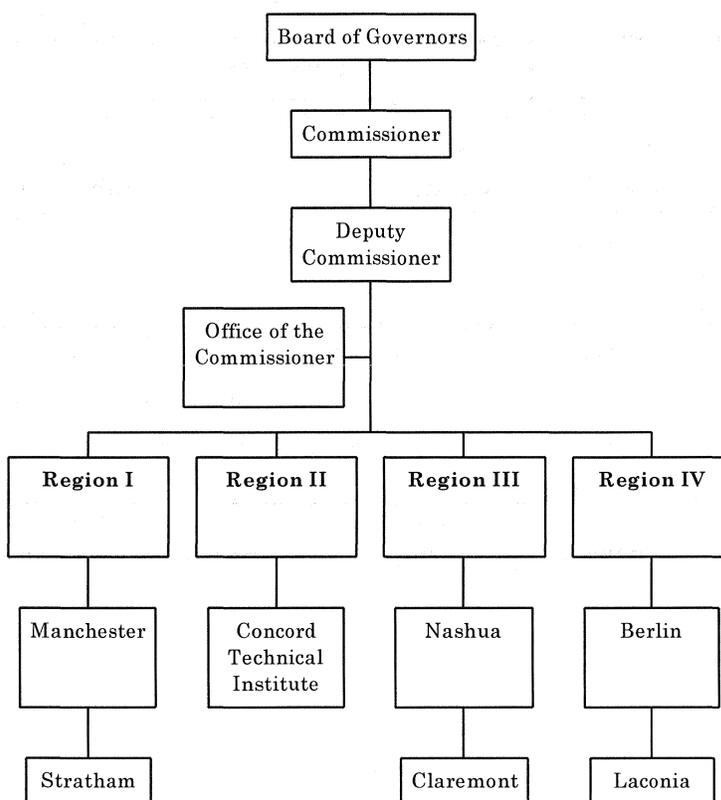
As shown in the organizational chart that follows on page 2, the Department has a commissioner who serves as the chief executive officer and is appointed by Governor and Council for a four year term, a deputy commissioner who serves at the pleasure of the Board, four regional presidents who oversee the campuses, and an office of the commissioner. For the entirety of our audit period both the commissioner and deputy commissioner positions were vacant. An interim commissioner has served since July 1997.

Responsibilities

The Department's mission in part states: "The New Hampshire Community-Technical College System is dedicated to providing the highest possible level of technical, academic, and professional preparation to all people in New Hampshire. Its mission is to prepare students to enter directly into the work force and to advance their chosen career as technicians and skilled workers, while preparing students for continuous educational and career mobility as well as full participation in community life."

Responsibilities (Continued)

It accomplishes its mission through the various day and evening educational programs, both degree and nondegree, offered at its 7 campuses located around the state. Additionally, the Department offers continuing education courses and through its Technology Deployment Centers provides customized new technology training to businesses. As noted in the organizational chart, the campuses are separated into four regions, with a president presiding over each region. During fiscal year 1998, the Department employed 1,245 adjunct faculty, 128 part-time and 572 full-time employees, of which 43 employees are assigned to the Office of the Commissioner.



# Employees by Region	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>
Full-time	140	163	115	118
Part-time	31	33	28	29
Adjunct faculty	413	325	259	248

# Full-time Equivalent Day Students	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>
	1,041	1,432	948	930

Funding

The Department is funded by appropriations made from the General, Special and Capital Projects Funds. The fiscal year 1998 appropriations combined with supplemental warrants, balances forward, and transfers resulted in spending authority of \$53,765,563 and \$15,497,140 in the General and Special Funds, respectively. Fiscal year 1998 appropriations and balance forwards resulted in spending authority of \$5,561,077 in the Capital Projects Fund. Estimated restricted revenue combined with supplemental warrants and balances forward resulted in anticipated fiscal year 1998 restricted revenue of \$33,781,230 and \$15,496,933 in the General and Special Funds, respectively. The actual financial activity of the Department, as reported in the General, Special and Capital Projects Funds for the nine months ended March 31, 1998 is summarized in the following table.

(in thousands)	Nine Months Ended March 31, 1998			
	<u>General Fund</u>	<u>Special Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Restricted Revenue	<u>\$ 21,000</u>	<u>\$ 7,112</u>	<u>\$ -0-</u>	<u>\$ 28,112</u>
Expenditures	<u>\$ 34,076</u>	<u>\$ 7,205</u>	<u>\$ 1,248</u>	<u>\$ 42,529</u>

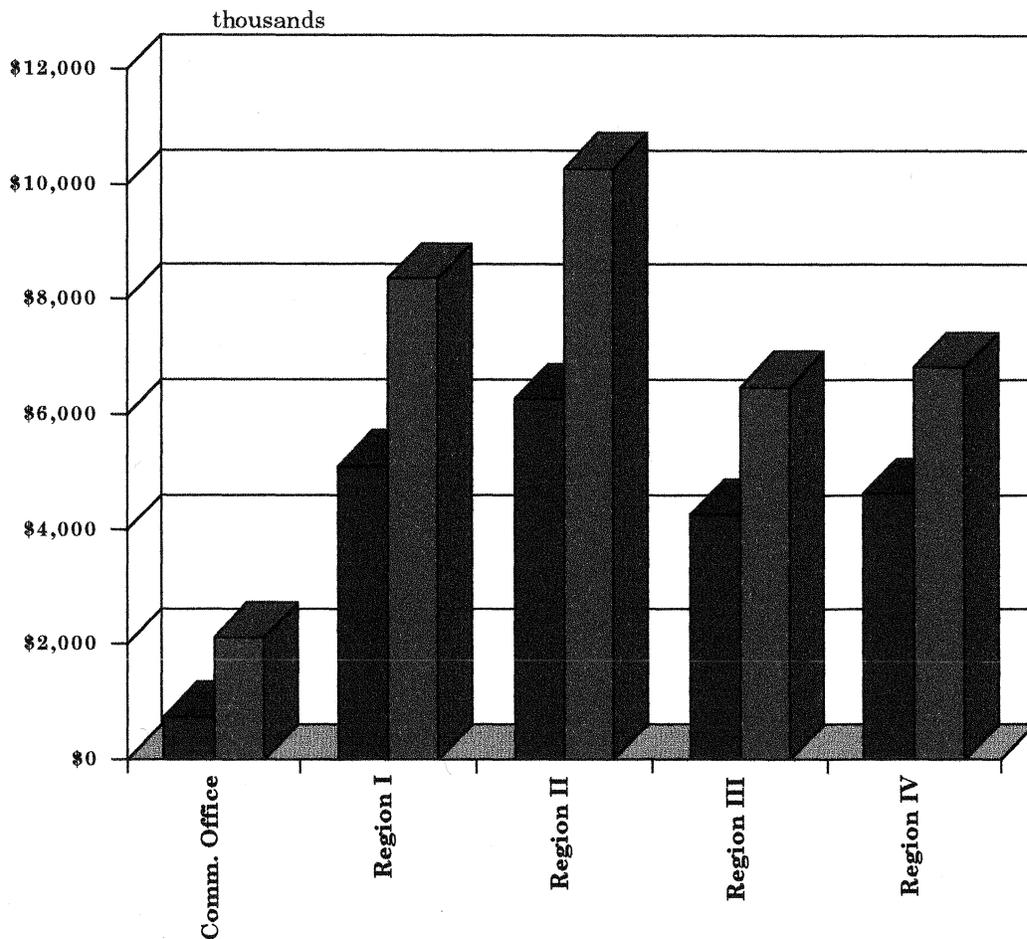
Sixty percent of the Department's total funding is derived from tuition and federal funds with the balance being derived from General and Capital Projects Funds appropriations. The Department's General Fund expenditures and revenues by region for the nine months ended March 31, 1998 are presented graphically on page 4.

Trust And Agency Funds

The Department has numerous trust and agency funds. The agency accounts, as described below, are held at the individual campuses. The Department's trust funds are maintained primarily by the State Treasurer and are used for student scholarships.

The four major agency accounts are the Administrative, MasterCard/Visa, Easyfund, and Student Activity accounts. The Administrative and MasterCard/Visa accounts are used to process tuition payments made by cash and credit card, respectively. The Easyfund account is used for processing payments from the New Hampshire Higher Education Foundation. The Student Activity account is for receipt and disbursement of funds to various student organizations and to pay for such events as graduation ceremonies.

Department of Regional Community-Technical Colleges
 General Fund Revenues & Expenditures by Region
 For the Nine Months Ended March 31, 1998



GENERAL FUND	Comm. Office	Region I	Region II	Region III	Region IV	Combined Totals
<u>REVENUES</u>						
Tuition	\$ 597	\$ 3,949	\$ 5,023	\$ 3,361	\$ 3,251	\$ 16,181
Federal Funds	37	857	780	656	1,013	3,343
Grants From State Agencies	51	180	215	199	218	863
Other Revenue	52	121	260	48	132	618
TOTAL REVENUES	\$ 737	\$ 5,107	\$ 6,278	\$ 4,264	\$ 4,614	\$ 21,000
<u>EXPENDITURES</u>						
Salaries & Benefits	\$ 1,253	\$ 6,252	\$ 7,138	\$ 4,914	\$ 4,753	\$ 24,310
Grants/Loans To Students	116	949	897	801	989	3,752
Current Expenses	280	679	1,243	557	634	3,393
Equipment	110	217	402	117	158	1,004
Other Expenditures	351	281	601	93	291	1,617
TOTAL EXPENDITURES	\$ 2,110	\$ 8,378	\$ 10,281	\$ 6,482	\$ 6,825	\$ 34,076

Note: Dollars are shown in thousands

Prior Audit

The most recent prior financial and compliance audit of the Department was a multi-part audit with a separate report issued for each campus and a management letter issued on the Department as a whole. The individual audits covered fiscal year 1989 for two schools and the 18 months ended December 31, 1989 for five schools. The Office of the Commissioner's audit covered fiscal year 1990. The appendix to this report, beginning on page A-1, contains a summary of the current status of the observations contained in each prior report. Copies of the prior audit reports can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

Audit Objectives And Scope

The primary objective of our audit is to express an opinion on the fairness of the presentation of the financial statements of the Department, except for the Police Standards and Training Council and the Christa McAuliffe Planetarium. As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we considered the effectiveness of the internal controls in place at the Department and tested the Department's compliance with certain provisions of applicable state and federal laws, regulations, contracts and grants. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Internal controls,
- Revenues and appropriations,
- Expenditures and encumbrances,
- Trust and Agency funds,
- Cash, cash equivalents, and investments,
- Real property and equipment, and
- State and federal compliance.

Our reports on compliance and internal control, and management issues, the related observations and recommendations, our independent auditor's report, and the financial statements are contained in the report that follows.

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

To The Fiscal Committee Of The General Court:

We have audited the accompanying financial statements of the Department of Regional Community-Technical Colleges, excluding the Police Standards and Training Council and the Christa McAuliffe Planetarium, as of and for the nine months ended March 31, 1998, and have issued our report thereon dated June 24, 1998, which was qualified with respect to the lack of presentation of the financial position of the Department in the General, Special and Capital Projects Funds, the understatement of General Fund revenue, and the lack of documentation to support fixed assets valuations. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department of Regional Community-Technical Colleges' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in observations No. 9 through No. 13 of this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department of Regional Community-Technical Colleges' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in observations No. 1 through No. 8 of this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions referred to above, we consider observations No. 1 and No. 2 to be material weaknesses.

This report is intended for the information of the management of the Department of Regional Community-Technical Colleges and the Fiscal Committee of the General Court. However, this report, upon its acceptance by the Fiscal Committee of the General Court, is a matter of public record and its distribution is not limited.

Office of Legislative Budget Assistant
Office Of Legislative Budget Assistant

June 24, 1998

Internal Control Comments
Material Weaknesses

Observation No. 1 - Significant Deficiencies In The Revenue Collection Process

Observation:

During the nine months ended March 31, 1998, the Department of Regional Community-Technical Colleges collected approximately \$16 million in student tuition and fees at the seven campuses within the technical college system. This revenue is processed in the same manner at all campuses, using a combination of two automated systems, the Banner system and the Quicken system. Banner is the student registration and financial aid system with Quicken being used as a revenue ledger system.

In our testing of student tuition revenue and the internal controls over this revenue, we noted numerous problems with the lack of a general ledger system for revenue, lack of adequate systems training for business office staff at the campuses, lack of segregation of duties, inconsistencies in processes between campuses, and untimely transfers of revenue to Treasury. These issues are discussed in more detail below.

The revenue collection process at each campus begins with payment by a student for tuition and fees. This information is keyed into the Banner system which generates an initial recording of the payment. At the end of the day, a clerk prepares the daily deposit and keys the receipt summary information from Banner into the Quicken system generating a daily deposit summary. Periodically, the campuses will write a check to the State to transfer the funds to Treasury and enter the receipt information into the state accounting system (NHIFS). Monthly the campuses reconcile the bank statements to the Quicken ledger system.

A. Lack of General Ledger System for Revenue

The Department uses Quicken (an off-the-shelf software package) as its ledger system to track revenue activity. In general, we found the Quicken system to be inadequate as a revenue ledger system due to the lack of controls built into this system.

Quicken is a software package designed for individual personal financial use, similar to a check book. It is not designed to be a complete general ledger system and as a result it lacks many of the accounting controls normally found in a general ledger software package. Some of the deficiencies in Quicken include no audit trail, allowance of back-dated transactions, and unlimited access to users. We noted the following during our testing of transactions through Quicken.

- Of the 98 transfers to Treasury tested, we noted variances on 26 (27%) transfers where the sum of deposits per Quicken and the amounts actually transferred to Treasury differed. The variances ranged from \$(6,660) to \$27,327 and were noted throughout all seven campuses. This problem was caused, in part, by the Quicken system allowing adjustments to be made at any time to receipts and transfers without regard to date and its allowance of changes to be made to previously posted amounts without a separate entry automatically being shown on the system.

Material Weaknesses (Continued)

Observation No. 1 - Significant Deficiencies In The Revenue Collection Process (Continued)

Observation (Continued):

B. Lack of Adequate Systems Training at the Campuses

A significant aspect of an organization's internal control is its personnel. Skilled and well-trained employees help to ensure that an organization can achieve reliable financial reporting, efficient and effective operations, and compliance with applicable laws and regulations. A lack of competent employees can render the best system of internal controls ineffective. We noted at the campuses where a lack of adequate training was evident as detailed below.

- During our visits to the Nashua campus we noted that the Business Office had experienced a high rate of personnel turnover over the past few years, therefore the Office was staffed with relatively new and inexperienced employees in their respective positions. Of the three individuals working in the Business Office, the employee with the longest tenure had been with the Office approximately two years. The turnover was partially responsible for the lack of job knowledge we observed, however, we also noted a general lack of systems training. In particular, we noted a limited knowledge of the Department's two main internal computer systems, a lack of familiarity with the State's and the Department's policies and procedures, and a lack of understanding of the revenue process.

While the Nashua Business Office problems were the most obvious, we noted similar instances at other campuses where individuals had varying degrees of proficiency with the Banner and Quicken systems. Without a current policies and procedures manual for these systems, and periodic training on the operations of these systems, each campus appears to be relying on trial and error or the Concord Systems Office to resolve the problems.

C. Lack of Segregation of Duties Over Revenue

Effective internal control procedures require that duties be properly segregated. The fundamental purpose of properly segregating accounting and administrative duties is to protect the integrity of the accounting and administrative systems by ensuring that no one employee is in a position to commit, either intentionally or unintentionally, errors or irregularities and also be responsible for the detection of those errors or irregularities. In general, there are three principal groups of incompatible duties that must be segregated for proper internal controls: 1) transaction authorization; 2) custody of assets; and 3) recording of transactions.

As described on the next page, we found the following areas where the Department could strengthen its internal controls by properly segregating duties.

Material Weaknesses (Continued)

Observation No. 1 - Significant Deficiencies In The Revenue Collection Process (Continued)

Observation (Continued):

Revenue

The lack of segregation of duties dealt with individual business office staff having access to both the Banner and Quicken systems, having access to receipts, having signatory authority on bank accounts, and performing bank statement reconciliations. This was noted to varying degrees at every campus except Claremont.

Financial Aid

The financial aid officer at each campus is responsible for receiving student financial aid applications, determining the student financial aid budgets, calculating the financial aid awards, and authorizing financial aid payments. We noted at all the campuses, the work of the financial aid officer is not reviewed by any other college personnel. Additionally, at one campus the financial aid officer was also receiving the financial aid checks for disbursement to the students.

This same observation regarding the lack of segregation of duties with financial aid officers has been noted in our two previous audits of the Department.

D. Lack of Restrictive Endorsement of Checks

Proper internal control procedures dictate that all checks should be restrictively endorsed by the individual who initially receives them and listed on a Record of Daily Receipt (Form A-15). [Note: the recording of the check into the Banner Computer System serves as the A-15.] In the event a check is lost, misplaced or stolen, a restrictive endorsement and an initial listing would significantly reduce the opportunity of the check being negotiated by anyone other than the Department. During our review of the cash receipts process at the campuses, we noted where one or both of these controls were not being used at all the campuses.

E. Inconsistencies in Revenue Procedures Between Campuses

Overall, we noted that the Concord Systems Office needs to implement written policies and procedures to enhance uniformity in the processing of revenue at the individual campuses. We tested tuition and fee payments for 121 of the 24,181 students registered for the Summer and Fall 1997, and Spring 1998 terms. As detailed below, we noted various inconsistencies with the depositing and transferring of funds, untimely completion of reconciliations, and the handling of credit card receipts.

Untimely Deposit and Transfer of Revenue

RSA 6:11 requires that agencies deposit funds daily if collections exceed \$100. During our testing, the Department did not consistently deposit receipts to the bank or transfer revenue to the State Treasury timely, as presented on the following page. The Department transfers funds to the State Treasury by writing a check and depositing the checks directly

Material Weaknesses (Continued)

Observation No. 1 - Significant Deficiencies In The Revenue Collection Process (Continued)

Observation (Continued):

with Treasury. [We have defined timely as (1) three days from receipt to bank deposit and (2) seven days from receipt to Treasury transfer.]

Campus	# Deposits tested	# Bank deposits deemed untimely	Range of days from receipt to bank deposit	# of transfers to Treasury deemed untimely	Range of days from deposit to Treasury
Laconia	7	5	4 to 7	2	26 to 27
Berlin	7	0	n/a	4	10 to 19
Claremont	10	0	n/a	8	8 to 27
Nashua	8	4	4 to 5	2	23 to 29
Stratham	13	3	4 to 9	9	10 to 168
Manchester	17	5	4 to 7	13	8 to 64
Concord	27	11	4 to 10	24	8 to 126

Untimely Completion of Reconciliations

Student financial assistance in the form of loans to students is received by the Department from the New Hampshire Higher Education Assistance Foundation via electronic transfers to the individual campus business office bank accounts. The business offices are responsible for performing a reconciliation between the student records (Banner System) and a roster listing each student loan received. A reconciliation between the student roster and the Banner System must be performed prior to transferring any student loan funds to Treasury to pay for tuition, fees, etc.

We noted the untimely completion of reconciliations at the Concord campus business office. As a result of not performing a reconciliation timely, amounts received in February 1998 totaling \$1,337,651 were not transferred to the State Treasury and Student Activity Account until June 1998.

F. Inconsistent Procedures Over the Handling of Credit Card Receipts

Credit card receipts are electronically transferred into each applicable campus' bank account by the respective credit card companies. All amounts deposited are then transferred by the business offices to the State Treasury or to the Student Activity Accounts. Current procedures allow for all amounts received to be transferred, exclusive of a "buffer" amount. According to the campuses' business offices, a buffer amount is retained in the bank to cover any possible liabilities resulting from student refunds. We found the concept of a buffer to be reasonable, however, we were unable to determine the propriety of the buffers used, as they were both undocumented and inconsistent in amount between the campuses.

Material Weaknesses (Continued)

Observation No. 1 - Significant Deficiencies In The Revenue Collection Process (Continued)

Recommendation:

With the high volume of transactions and large dollar amounts of revenue being collected at the campuses, it is critical that the Department strengthen its revenue collection process at the campuses and institute changes to eliminate the lack of segregation of duties, inconsistencies in processes between campuses, and untimeliness of deposits. It should initiate efforts to replace the Quicken software system with an application that provides better controls and more accountability over revenue collected at the schools. Additionally, it should establish written policies and procedures manuals for its systems.

Auditee Response:

We concur with the audit observation. Since centralization, the staffing of our Business Offices is lean. At the time of centralization our department was implementing the Banner Student System. Regionalization has also placed increased demands on the system and the college business offices. We have experienced a lot of turnover both at the system office and out at the college business offices. Because of these changes our Internal Auditor was temporarily reassigned to system design and set up processes. Procedures are being put in place and controls are constantly being revised and tightened, but because of resources it takes time.

Quicken was purchased for its check writing ability. It is used as a check book register, and not as a General Ledger. Inquiries are being made into other software, possibly the finance system from Banner SCT.

There is a Quicken Manual and a Banner Procedure Manual, every campus has been issued one. The Banner Manual is somewhat outdated, but the basics remain the same. We are in the process of reviewing and making changes. We plan to visit the colleges and train in the areas found to be weak.

The segregation of duties has been resolved. We have moved some duties out of the Business Offices and rearranged duties within the Business Offices.

Material Weaknesses (Continued)

Observation No. 2 - Lack Of Documentation To Support Fixed Assets Valuation

Observation:

As of March 31, 1998, the Department reported \$45,552,074 in land, buildings and improvements and \$24,075,792 in equipment to the Department of Administrative Services (DAS). The Fixed Asset Policies and Procedures Manual, (the Manual), prepared by DAS, gives agencies guidance on the proper accounting and reporting of fixed assets, including a methodology for arriving at estimates for assets in situations where the original documentation no longer exists. In our testing of fixed assets we noted the following problems which were also noted in our prior audit of the Department.

Real Property

The Department does not maintain records that adequately document the cost of all the real property reported. While the Department has been able to document some of the cost information relative to certain campuses, it has not done so for all its property. Additionally, in some cases the documentation does not show the costs of the individual components (buildings, building improvements, land, land improvements) that make up each campus' real property balances.

Equipment

During our test of 200 equipment inventory items we noted the following:

- For 55% of the equipment items tested for adequate cost documentation, the Department had not maintained the supporting documentation needed to verify the recorded cost of the equipment as required by the Manual. The recorded value of these items totaled \$1,460,485.
- For 24 of the 200 equipment items tested (12%), we were unable to locate either the equipment, the equipment identification tag, or the equipment on the inventory listing.
- Ten of the equipment items tested were surplus prior to July 1, 1997, but were not removed from the equipment inventory until March 1998. The recorded value of these items totaled \$301,558.

During our testing of surplus property, we noted the following error:

- For two of the 10 surplus items tested (20%), we noted that although the items were surplus prior to the beginning of the audit period, they were not removed from the equipment inventory until September 1997. The items, surplus in April 1994 and July 1995, were not removed from the inventory until two years after the disposal dates.

Material Weaknesses (Continued)

**Observation No. 2 - Lack Of Documentation To Support Fixed Assets Valuation
(Continued)**

Recommendation:

The Department should establish procedures to adequately document the recorded cost of fixed assets as required by the Fixed Asset Policies & Procedures Manual.

Auditee Response:

We have made several attempts to get the original information from the Department of Education and have not been successful. Our department was set up by Legislation in 1983, prior to that time the Technical Colleges were under the Department of Education.

Recently we have purchased a new module to track our fixed assets such as buildings and land. Its tied to the new equipment inventory system, we are planning to implement this module this fiscal year. We have also purchased file cabinets that have been set up by college, by building, to house all payments and documents related to our facilities. The new software module will also be set up by college campus and building. As payments are made they will be posted immediately in this module so that the fixed asset will be up to date.

The internal auditor and the chief financial officer will work on the property land value to support the dollar values that have been used. If we cannot find the back-up information, we will work with DRED to establish a formula to be used. We have enough information to document the property expenditures that were made.

Other Reportable Conditions

Observation No. 3 - Weaknesses In Department Billing Procedures

Observation:

The regional campuses control the contracting and collection of third party and technology deployment centers' billings. Technology Deployment Centers collected \$633,400 in revenue for the nine months ended March 31, 1998. As described in more detail below, controls and procedures over these two areas need to be strengthened.

TDC Contracts

The Technology Deployment Centers (TDC) provide customized courses for companies or individuals seeking specialized training. To participate, interested companies must provide a contract containing an unconditional promise to pay which must be signed by the Department and the company. Currently, the Department does not have a standardized TDC contract for all campuses to use nor timely billing procedures. We noted the following in our testing.

- One contract tested at the Manchester campus contained no signatures confirming the approval/acceptance of a contract by the Department. The contract was actually a company purchase order.
- Stratham neglected to obtain signed contracts for two selections tested. We also noted that a contract for classes which began on January 15, 1998 was not entered into and approved by all required parties until March 4, 1998. In addition, one contract for classes beginning on January 26, 1998, was not billed by the Department until March 3, 1998 and as of April 3, 1998 no payments had been received.

Collection of Third Party Billings

Current Department practice allows a student to register for scheduled courses and have the charges assessed to a third party, usually the student's employer. The student must present a letter from the employer that includes an unconditional promise to pay.

While reviewing third party billings, we noted deficiencies in the collection of delinquent accounts. Current procedures do not require a financial hold be placed on a delinquent employer's account. As a result, students continue to register for courses using letters from employers in delinquent status as proof of payment. As of March 31, 1998, third party accounts receivable totaled \$297,000.

Other Reportable Conditions (Continued)

Observation No. 3 - Weaknesses In Department Billing Procedures (Continued)

Recommendation:

The Department should develop and implement additional procedures over TDC contracts including (1) the use of a standardized contract (including specifications relative to payment) signed by all relevant parties, and (2) ensuring that an authorized signed contract is on file prior to the start of the course.

The Department should also implement procedures to monitor third party accounts. These procedures should include placing a financial hold on delinquent accounts.

Auditee Response:

We concur with the observation regarding TDC contracts. We will be setting up a cross functional team to develop a consistent policy. The team will be comprised of the TDC directors, a vice president, a business office person, and someone from the System Office.

We concur with the observation of collection of third party billings. We will establish a policy that places a hold on a student when the company is delinquent.

Other Reportable Conditions (Continued)

Observation No. 4 - Increased Controls Needed Over The Finance System

Observation:

The Finance System is a relational database application that was developed by the Department's internal auditor in 1992. The system is used for budget development, tracking purchases and accounts payable, building electronic files for expenditures that are uploaded to the state accounting system (NHIFS) and for monthly reconciliations of expenditures to NHIFS.

Basic electronic data processing (EDP) controls used to safeguard systems and data require that access to sensitive computer systems and data be restricted and controlled to ensure they are protected from both intentional and unintentional misuse and loss. Only employees with job responsibilities requiring use of the systems and data should be provided access. EDP responsibilities should also be adequately segregated so that errors or irregularities that might occur are detected in a timely and efficient manner. Both minor and major development of, and changes to, computer systems and programs should be authorized, tested, documented, and approved prior to being placed in service.

We noted the following segregation of duties and weaknesses in controls over the Department's Finance System:

- The internal auditor has access to and maintains the program files, issues passwords, and executes program changes in the Finance System. Program changes are reviewed by the system development specialist IV prior to execution. However, the approval of these program changes is not formally documented.
- The internal auditor performs the requests for federal reimbursements, prepares cash receipt forms for the Federal Work-Study (FWS) Program and posts the cash receipts to NHIFS and the Finance System. This individual also reconciles the Finance System to NHIFS and is responsible for inputting and reconciling FWS data in the Finance System.

Recommendation:

The Department should adequately segregate EDP responsibilities. Individuals responsible for system design and maintenance should not have duties related to data input. The approval of all program changes should be formally documented. Maintenance of the Finance System should be a responsibility of the EDP division and not the internal auditor.

Auditee Response:

The chief financial officer and the MIS director have been planning the cut over of these functions to the MIS department. The MIS department just hired a new employee who will be responsible for these functions. Change control procedures will also have to be developed so this can occur.

Other Reportable Conditions (Continued)

Observation No. 5 - Internal Auditor Position Not Being Utilized For Its Intended Purpose

Observation:

In the Management Letter of our prior audit of the Department for fiscal years 1989 and 1990 we commented, "The Department employs an internal auditor to monitor and test the accounting transactions for propriety.... [h]owever, the internal auditor is no longer functioning in that capacity." In our current audit we noted the same situation. The internal auditor performs requests for federal funds, prepares the federal reports for the college work study grant and is also responsible for programming and maintaining the Finance System as discussed in Observation No. 4. The only internal audit function the internal auditor performed during fiscal year 1998 was to audit the petty cash funds of the individual campuses. Since the majority of the Department's revenue is collected at the individual campuses, an internal audit function is necessary to ensure that all schools are properly processing and recording accounting transactions, to monitor the efficiency and effectiveness of operations, and to determine compliance with applicable laws and regulations. Some of our current findings may have been identified and resolved if the internal audit function was properly utilized, as an internal auditor routinely provides information about the function, design, and operation of internal controls.

Recommendation:

We recommend that the Department utilize its internal audit position for the purpose intended; to monitor and test accounting transactions, and evaluate operational effectiveness.

Auditee Response:

We concur. Over the past few years there have been major changes necessitating the reassignment for work on major projects, as well as helping to lighten the load of other departments. We are currently reviewing the responsibilities and making adjustments so that more audits will be getting done. We also plan to use that person for the Perkins Revolving fund reporting project.

Other Reportable Conditions (Continued)

Observation No. 6 - Overstatement of Agency Fund Activity

Observation:

The Department uses agency accounts to initially record student tuition and activity fees at the individual campuses. The four major accounts are the Administrative, Easyfund, Mastercard/Visa and Student Activity accounts. As discussed in more detail below, total additions and deductions for these accounts were overstated by \$6.5 million for the nine months ended March 31, 1998 prior to audit adjustments being made. The overstatement was a result of the method used by the Department to record activity between the accounts. The individual campuses routinely transfer amounts between the accounts thus overstating the activity.

- At the Manchester, Stratham, Laconia, and Nashua campuses, amounts initially deposited into the Easyfund account are transferred to the Administrative account then to Treasury. Each time a transfer occurred, additions and deductions were recorded. This process overstated activity in the Administrative account. At the other three campuses, amounts were remitted directly from the Easyfund account to Treasury.
- Initial transfers from the New England Higher Education Foundation are deposited into the regional campus office Easyfund accounts. The regional office then transfers a portion of the funds to the supporting campus, thus overstating Easyfund account activity.
- Student activities fees are initially deposited into the Administrative account then transferred to the Student Activity account thereby overstating activity by approximately \$1 million.

We noted similar problems with these accounts in our prior audit of the Department and while the Department has decreased the number of accounts at the campuses, each campus still maintains four separate accounts which must be adequately controlled. As discussed in Observation No. 1, there are segregation of duties and other internal control issues relative to these accounts.

Recommendation:

We recommend that the Department work with the banks and Treasury to determine whether it is possible to consolidate the accounts at the campuses thus eliminating the need for interaccount transfers. The Department should also establish policies and procedures so that all campuses account for Agency Fund activity in a consistent manner.

Other Reportable Conditions (Continued)

Observation No. 6 - Overstatement of Agency Fund Activity (Continued)

Auditee Response:

This department met with the Deputy Treasurer and the VP of Governmental Banking at Citizens Bank, in 1994. At that time we consolidated as many accounts as possible. In all we closed 37 trust accounts. The student activity and Easyfund Account must be kept separated and the only consolidation that could occur would be the Administrative and Visa Account. We closed the other accounts to save time and money and to combine the Administrative and Visa would not be efficient or cost effective.

The observation that four campuses transfer money from Easyfund to Administration has now been resolved. All seven campuses will be processing the Stafford loans the same.

The state comptroller was notified on August 18, 1998, as to the overstatement of income and expense and he will advise us on how he wants it to be handled.

Observation No. 7 - No Written Policy Over Student Activity Account Disbursements

Observation:

Student Activity accounts, maintained at each campus, are used for special student events such as dances, group trips and graduation ceremonies. The accounts, which are controlled in part by the Student Senates at each campus, are funded by student activity fees, vending machine profits, and profits from fund raising activities. Because these accounts are outside the normal state accounting system (NHIFS) and its related controls, additional controls have been placed on the accounts by the Department. Disbursements from Student Activity accounts are made through the use of a *Student Senate Activity Fund - Request For Payment* form. Depending on the type of activity, each disbursement requires between four to six signatures on the form. During our testing of Student Activity disbursements at the Concord campus, (which accounts for 50% of total Student Activity disbursements), we noted the following.

- None of the sixteen selections tested which required the use of a *Student Senate Activity Fund - Request For Payment* form, had all of the signatures required for disbursement. According to the Dean of Students, there are exceptions to the list of required signatures, however, there is no written policy relative to which approvals are needed to process payments from the fund.
- For one (6%) of the sixteen selections tested, there was no documentation (i.e. receipt, invoice) on file to support the amount of the expenditure. The selection involved a \$7,150 payment for a Student Travel Society cruise.

Other Reportable Conditions (Continued)

Observation No. 7 - No Written Policy Over Student Activity Account Disbursements (Continued)

Recommendation:

The Department should adopt a written policy regarding disbursements from the Student Activity accounts. This policy should include descriptions of signatures and documentation required to process expenditures from the accounts.

Auditee Response:

We concur. We will put together a cross functional team to write a system policy regarding disbursements from the Student Activity accounts. This policy will include descriptions of needed signatures and documentation required in order to process expenditures from the account.

Observation No. 8 - Unwritten Agreement With SAU #36 To Reimburse Payroll Costs

Observation:

During fiscal year 1998, the Department entered into a verbal agreement with School Administrative Unit (SAU) #36 of Whitefield, N.H. whereby SAU #36 agreed to reimburse the Department for a portion of the Berlin campus School-to-Work coordinator's salary. Because the School-to-Work coordinator's salary exceeded the amount budgeted for the position, SAU #36 agreed to reimburse a portion of the salary (\$9,952) to help defray the Department's payroll costs as detailed below.

The School-to-Work coordinator was a full-time position in fiscal year 1997, paid through a federal grant. This grant was scheduled to end on September 30, 1997, however, the position was only budgeted through June 30, 1997. The position was retroactively extended from July 1, 1997 to September 30, 1997 by Governor and Council on August 7, 1997. Because the position was budgeted for fiscal year 1997 only, there were insufficient funds to pay the coordinator for the first quarter of fiscal year 1998. Hence the campus entered into the verbal agreement with SAU #36 to cover these costs.

Because this was a verbal agreement, it was not approved through the normal state contract procedures by the Commissioner's Office nor Governor and Council. Governor and Council approval is required for personal service contracts over \$2,500.

Additionally, the Department improperly recorded the transaction as a negative expenditure, rather than recording it as revenue, in effect reducing the amount reported as expended. As a result, expenditures and revenue were understated by \$9,952.

Other Reportable Conditions (Continued)

Observation No. 8 - Unwritten Agreement With SAU #36 To Reimburse Payroll Costs (Continued)

Recommendation:

The Department should establish procedures requiring all contracts entered into on its behalf to be in writing. The Department should also exercise caution when recording transactions to ensure that the entries are properly recorded and classified.

Auditee Response:

The chief financial officer met with accountants from each college on June 16, 1998 and explained all contracts will be in writing using our Education Service Agreement. Contracts will be processed via standard procedures. Copies of the accountants' meeting were sent to the presidents of each college.

Compliance Comments
State Compliance

Observation No. 9 - Lack Of Records Retention Policies And Procedures

Observation:

Per RSA 5:38, the time frame for holding records not having permanent or historical value is four years from the date of their making. Additionally, federal regulations passed as part of the Improving America's School Act of 1994 established various record retention periods for student information relating to various federal student loan or grant programs such as Perkins Loan, Pell Grants and others.

Through discussions with each campus, we noted that there were no consistent policies and procedures in effect throughout the campuses, relative to the period of time records should be retained. A lack of document retention increases the risk that errors or irregularities that may occur would not be detected in a timely manner.

During our testing, we noted 4 instances of 121 (3%) students tested where student forms were not on file or available. This documentation is the only support available for charges and credits applied to student accounts.

Recommendation:

The Department should establish policies and procedures relative to retention periods for student records. These policies and procedures should be in accordance with state and federal laws and regulations.

Auditee Response:

We concur. We are putting together a cross functional team to develop a procedure. This team will be comprised of employees from the offices of Registrar, Financial Aid, Management Information Systems, Systems Office and a Vice President, as well as someone from Archives. Archives has been contacted and we are gathering information from the American Collegiate Association of Registrar's and Admissions.

State Compliance (Continued)

Observation No. 10 - Statutorily Required Reports Not Filed Timely

Observation:

During our testing of compliance with state statutes we noted the following instances where the Department had not filed reports timely.

- RSA 188-F:14-b requires the Department to file quarterly with the Fiscal Committee a report detailing all transfers made for the previous quarter and the reasons for each transfer. The transfer reports for the 1st and 2nd quarters of fiscal year 1998 were not filed timely. The reports, due October 1, 1997 and January 1, 1998, respectively, were not filed until April 1, 1998.
- RSA 188-F:14-a requires the commissioners of the departments of education and regional community-technical colleges to issue a joint report annually by October 15th of each year on the proposed use and distribution of federal vocational funds. As of March 31, 1998 the Departments had not issued a report for fiscal year 1997. The last report was issued on October 15, 1989.
- RSA 188-F:42 established a Governor's Equipment Challenge Grant Steering Committee comprised of 18 members. The committee is administratively attached to the Department. RSA 188-F:45 requires the committee to submit, at the end of each biennium, a report on the accountability of the challenge grant program to the commissioner and others. The report for the 1996-1997 biennium was due on October 1, 1997. Per review of the Committee minutes, the last report on accountability was submitted and approved during its final meeting on November 11, 1993. Since that time no additional funding has been appropriated for the committee, no meetings have been held and no reports have been submitted. It appears that this committee has been inactive for five years. The Department was also required to adopt administrative rules governing the Equipment Challenge Grant program which it has not done.
- RSA 188-F:49 (effective July 2, 1993) established a job training program which was designed to provide assistance to businesses in training and retraining employees in new technologies. A grant review committee was established to recommend approval of grants to businesses for job training. RSA 188-F:56 requires the Department to annually submit a report indicating the level of performance achieved through the program, based on performance criteria established by the board of governors. No funding for this program has been appropriated since fiscal year 1995 and as a result no reports have been prepared. It appears that this committee has been inactive for three years. Additionally, the statute requires the Department to adopt rules relative to the administration of the job training program which it has not done.
- RSA 17-J:4 requires state agencies with capital budget projects to submit to the Capital Budget Overview Committee a status report every 60 days. Although the Department had ongoing capital projects during the audit period no status reports were submitted to the committee.

State Compliance (Continued)

Observation No. 10 - Statutorily Required Reports Not Filed Timely (Continued)

Recommendation:

The Department should establish procedures to ensure that all statutorily required reports are submitted timely. Alternatively, the Department should review its existing state statutes and either develop procedures to comply with those statutes or seek statutory amendment through legislative action.

Auditee Response:

We concur. Regarding the statutes requiring various report submissions, we have made the Department of Education aware of the requirement and will file the joint report timely this year. The quarterly transfer reports and the 60 day capital budget project status reports are now being filed timely.

As noted, RSA 188-F:42 has not received funding for five years. No funding is anticipated now or during the next biennium. It is anticipated that the Commission on the Status of Community Technical Education established by SB 503 will review the Department's legislation and will address RSA 188-F:42 and RSA 188-F:49 with the possibility of elimination due to no funding.

Federal Compliance

Observation No. 11 - Lack Of Documentation To Support Charges To Transitions/Transformations Program

Observation:

Office of Management and Budget (OMB) Circular A-87 Revised, *Cost Principles for State, Local, and Indian Tribal Governments* establishes principles and standards for determining costs for federal awards carried out through grants, contracts, and other agreements. Attachment B of the Circular provides principles to be applied in establishing the allowability or unallowability of certain costs. Section 11.h. of Attachment B requires employees who work on multiple activities to prepare personnel activity reports, signed by the employees, that reflects the distribution of their time across all activities at least monthly.

During the audit period, we noted that a portion of three employees' salaries and benefits totaling \$33,332 was transferred to the federally funded Transitions/Transformations program. The Department did not provide documentation to adequately support the salaries and benefits charges to this federal program, resulting in questioned costs of \$33,332.

Questioned Costs: \$33,332

CFDA # 84.199 - Vocational Education - Cooperative Demonstration

Recommendation:

We recommend that the Department establish a system to ensure that all employees who work on federal programs properly maintain adequate documentation of their time as required by OMB Circular A-87.

Auditee Response:

We concur. For future processing, this office distributed the required accounting procedures with regard to documentation of employees' time toward grant activities along with the activity report and certification forms to the college presidents, vice presidents, accountants and grant project managers. The grant personnel activity report forms and the grant personnel certifications forms are currently being used by all personnel whose salaries are being charged, in whole or in part, to grant accounts.

Federal Compliance (Continued)

Observation No. 12 - Various Instances of Noncompliance With Student Financial Aid Requirements

Observation:

Institutions participating in Student Financial Assistance (SFA) Programs, which include Pell Grants, Perkins Loan, Federal Work-Study funds, and Federal Supplemental Education Opportunity Grants, are responsible for complying with various federal regulations regarding determination of student eligibility, verification of student data, and calculation of financial aid amounts. Through our testing of 25 student files we noted the following instances of noncompliance with federal regulations.

- The Financial Aid Officer (FAO) at each school is responsible for determining the amount and type of financial aid awarded to students. The amount of aid awarded to students is noted in an award letter, which must be signed and returned by the student indicating those awards are accepted or rejected. We noted at the Berlin campus, the FAO was making mid-year adjustments to students' federal work-study awards. Per review of the student financial aid files, these changes were not documented in the files.
- Changes in student information is required to be submitted to the U. S. Department of Education within 30 days on a Pell Payment Data form. We noted two instances at the Concord campus where students' statuses changed in January 1998 and Pell Payment Data forms were not sent until May 1998.
- Whenever a student withdraws from an institution, SFA regulations require that the campus return a pro-rata refund of the financial aid within 30 days of the withdrawal. We noted an instance at the Manchester campus where a student withdrew from classes on September 15, 1997, however, the Department did not remit a refund until April 3, 1998, 170 days late.

Recommendation:

The Department should establish procedures to ensure that changes to work-study awards are adequately documented in the students' files. Additionally, it should exercise more care in complying with SFA program reporting and refund requirements.

Auditee Response:

We concur. The Department will establish procedures to ensure that changes to students' work study awards are adequately documented in the files. It has been stressed to all the colleges that more care is given, and that any needed adjustments in the future are processed on a more timely basis.

Federal Compliance (Continued)

Observation No. 13 - Noncompliance With Reporting Requirements Of The Campus Security Act And Drug-Free Schools And Communities Act

Observation:

Institutions participating in Student Financial Assistance (SFA) Programs are responsible for complying with various federal regulations including the creation and distribution of reports relating to campus security and drug abuse prevention materials. We noted in our testing where the Department was not in compliance with certain reporting requirements as detailed below.

- The Campus Security Act of 1990 requires each campus participating in a SFA program to compile, publish, and distribute an annual campus security report directly to all current students and employees by September 1st of each year. The Act indicates that the report should be provided upon request to all prospective students and employees. The requirements regarding the campus security report must be met individually for each campus. Through review of the campus security reports obtained from each of the seven campuses, we noted that none of the campuses met the minimum reporting requirements outlined in the Student Financial Assistance Handbook for the 1997/1998 academic year.
- The Drug-Free Schools and Communities Act requires schools that participate in any SFA program to provide information to its students, faculty, and employees to prevent drug and alcohol abuse. The school may include this information in publications such as student or employee handbooks, provided that the handbooks are distributed to each and every student and employee. The SFA Handbook specifically states that “Merely making drug prevention materials available to those who wish to take them is not sufficient.” During our testing, we noted that the Department was not distributing its drug abuse prevention materials to each and every student; instead, the materials were made available to only those who wished to take them.

Recommendation:

The Department should ensure that all campuses comply with the provisions of the Campus Security Act of 1990. Procedures must be established to ensure that each campus security report contains, at a minimum, the requirements as outlined by the U.S. Department of Education. In addition, each campus should ensure that all current and prospective students and employees receive and have access to any and all information relating to campus security.

The Department should ensure that it complies with the Drug-Free Schools and Communities Act by distributing its drug and alcohol prevention materials to all students and employees.

Federal Compliance (Continued)

**Observation No. 13 - Noncompliance With Reporting Requirements Of The
Campus Security Act And Drug-Free Schools And
Communities Act (Continued)**

Auditee Response:

We concur. The Department has taken various steps to ensure its compliance with the Drug-Free Schools and Communities Act as it applies to employment.

The Department will also establish an alcohol and drug policy for the system and its divisions. This policy will be developed in conjunction with the Attorney General's Office and the NH Division of Personnel to ensure compliance with all state and federal regulations. Upon establishment, said policy will be distributed to all employees and posted at all work locations.

Regarding noncompliance with Campus Security Act the Department concurs. All campuses have been advised of areas in which they do not comply; this will be corrected in order to meet the September 1 requirement. The VP's of Student Affairs were assigned this responsibility, with monitoring by the President. This requirement has not been monitored by the System Office. This will be assigned to the Deputy Commissioner.

Auditor's Report On Management Issues

To The Fiscal Committee Of The General Court:

We have audited the accompanying financial statements of the Department of Regional Community-Technical Colleges, excluding the Police Standards and Training Council and the Christa McAuliffe Planetarium, as of and for the nine months ended March 31, 1998 and have issued our qualified report thereon dated June 24, 1998, which was qualified with respect to the lack of presentation of the financial position of the Department in the General, Special and Capital Projects Funds, the understatement of General Fund revenue, and the lack of documentation to support fixed assets valuations.

We conducted our audit in accordance with generally accepted auditing standards and *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 statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Department of Regional Community-Technical Colleges for the nine months ended March 31, 1998, we noted certain issues related to the operation of the Department that merit management consideration but do not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and were not issues of noncompliance with laws, rules or regulations.

Those issues that we believe are worthy of management consideration but do not meet the criteria of reportable conditions or noncompliance are described in observations No. 14 through No. 16 of this report.

This report is intended for the information of the management of the Department of Regional Community-Technical Colleges and the Fiscal Committee of the General Court. However, this report, upon its acceptance by the Fiscal Committee, is a matter of public record and its distribution is not limited.

Office of Legislative Budget Assistant
Office Of Legislative Budget Assistant

June 24, 1998

Management Issues Comments
Management Issues

Observation No. 14 - Lack Of A Disaster Contingency Plan

Observation:

Management of the Department is responsible for establishing and maintaining internal controls over its computerized processes. The day-to-day recording and processing of transactions is accomplished through the use of two networked computer systems: 1) the Banner System, operational since 1992, is used to track all data associated with a student from the admissions process through graduation including grading, billing, academic history, financial aid and revenue recording and 2) the Finance System, operational since 1992, is used for budget development, tracking purchases and accounts payable and building electronic files that are automatically uploaded to the state accounting system. It is important for the Department to establish and maintain effective controls over its electronic data processing (EDP) systems. This includes the maintenance of a disaster contingency plan for all systems to properly safeguard against natural or manmade disasters. An effective disaster contingency plan will allow the organization to operate in the event of an unforeseen disaster.

The Department does not have a disaster contingency plan for the Banner or Finance systems to help ensure the continuity of operations in the event of a disaster.

Recommendation:

The Department should establish and maintain a written disaster contingency plan for its computer systems to ensure continuity of operations in the event of a disaster. This plan should be periodically tested for effectiveness.

Auditee Response:

At this time there is not a documented Disaster Recovery plan in place for any of our computerized central systems. To undertake a project of this magnitude would require a good deal of planning including budget establishment for this project.

We are covering the primary item that must be included in a disaster recovery plan which is protect and save the data. All of our systems are backed up and the backup tapes moved to a different building on a daily basis. On a weekly basis a copy of the tapes is stored in a vault at the Administrative Services Data Center on Hazen Drive.

We have done work in the areas of disaster avoidance that are normally associated with man made disasters. Both the Finance and BANNER systems have security that is internal to each application. These security functions control access to the systems and control the ability of a user to have update or just read only access to data. We have also

Management Issues (Continued)

Observation No. 14 - Lack Of A Disaster Contingency Plan (Continued)

Auditee Response (Continued):

implemented a time out policy that when a user's computer has not been used for twenty minutes they are automatically logged off the system. The computer system also forces the users to change their passwords every thirty days. We have also installed a fire wall that protects our internal administrative network from access by people that are communicating across the INTERNET.

Observation No. 15 - Lack Of Support For The 5.5% Administrative Charge Calculation

Observation:

Each campus is charged a 5.5% administrative fee, for purchasing, payroll, budgeting and grants processing activities performed centrally by the Concord Systems Office. This assessment is calculated by applying the 5.5% to total revenues for each campus. The amount assessed to each campus is then transferred on a quarterly basis to the Systems Office.

Per discussions with the Department, we noted that the percentage charged was established by the prior Commissioner, and has been applied since the reorganization of the Department in fiscal year 1992. The Department was unable to provide us with documentation of how this rate was calculated nor has it reviewed this rate for reasonableness since 1992. Due to the lack of supporting documentation for this administrative charge, we were unable to review the factors or assumptions made for propriety.

Recommendation:

The Department should prepare and maintain documentation to support the administrative charge being assessed on a quarterly basis to all applicable campuses. This rate should be periodically reviewed for reasonableness.

Auditee Response:

We concur. A percentage was worked out by the former Commissioner during the budget request process. We are not aware of any written procedure. We plan on developing a methodology for determining the percentage with the new Commissioner.

Management Issues (Continued)

Observation No. 16 - Year 2000 Compliance Readiness

Observation:

The Year 2000 (Y2K) poses a unique challenge to all State agencies in determining whether their computer systems will properly process data at the turn of the century. At risk are agencies' own internal systems as well as the external systems they rely upon. It also affects agencies' major vendors and suppliers. The issue, in essence, deals with computerized systems using only two digits rather than four to record the year in a date. As a result, systems may recognize the year 2000, when entered into the computer as "00" as the year 1900 or some other date. This could result in errors when dates are used in computations and comparisons. The effect on agency operations and financial reporting may range from minor errors to catastrophic system failures.

We discussed with the Department's MIS Administrator and other key employees, the Department's assessment of its Y2K readiness. According to the Department, its key computer systems are either already Y2K compliant or are nearly there. The Department has also contacted its key systems' vendors and have received written assurances regarding Y2K readiness.

The Department is to be commended for its positive approach to the Y2K issue. However, it must not lessen its vigilance with regards to ensuring that all its systems and those outside systems that are critical to the Department's operations are Year 2000 compliant in time.

Recommendation:

We recommend that the Department continue to monitor its systems to ensure that those systems not fully Y2K compliant now, will be so before the new millennium.

Auditee Response:

We concur. We will continue with the plan as presented.

Independent Auditor's Report

To The Fiscal Committee Of The General Court:

We have audited the accompanying financial statements of the Department of Regional Community-Technical Colleges, excluding the Police Standards and Training Council and the Christa McAuliffe Planetarium, as of and for the nine months ended March 31, 1998. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fifth paragraph below, we conducted our audit in accordance with generally accepted auditing standards and *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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

As more fully discussed in NOTE 1, the financial statements referred to above are not intended to present the financial position of the Department of Regional Community-Technical Colleges in the General, Special and Capital Projects Funds.

As discussed in NOTE 5, the Department did not record accounts receivable of \$2,807,399 in accordance with generally accepted accounting principles and thus understated General Fund revenue by \$2,807,399 for the nine months ended March 31, 1998.

As discussed in NOTE 1, the Department does not have complete financial records to support the amounts reported for fixed assets. Accordingly, we were unable to examine sufficient evidential matter to support such amounts.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had our audit not been limited in scope as discussed in the fifth paragraph and the matters discussed in the third and fourth paragraphs, the financial statements referred to above present fairly, in all material respects, certain financial activity of the Department of Regional Community-Technical Colleges as of and for the nine months ended March 31, 1998, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The accompanying Schedules of Budgetary Components, Schedule of Revenue and Expenditures by Region and the Schedule of Expenditures of Federal Awards (Cash Basis) are presented on pages 52 through 56 for the purpose of additional analysis and are not required parts of the financial statements of the Department of Regional Community-Technical Colleges. Such information has been subjected to the auditing procedures applied in our audit of the financial statements referred to in the first paragraph and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 24, 1998 on our consideration of the Department of Regional Community-Technical Colleges' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Office of Legislative Budget Assistant
Office Of Legislative Budget Assistant

June 24, 1998

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL, CAPITAL PROJECTS AND SPECIAL FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

	<u>General Fund</u>			<u>Capital Projects</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>	<u>Budget</u>	<u>Actual</u>
Revenues					
<u>Restricted Revenues</u> (Note 4)					
Tuition	\$ 22,427,279	\$ 16,180,924	\$ (6,246,355)	\$ -0-	\$ -0-
Job Training Partnership Act	-0-	-0-	-0-	-0-	-0-
Federal Funds	6,332,265	3,343,125	(2,989,140)	-0-	-0-
Grants From State Agencies	2,277,968	863,189	(1,414,779)	-0-	-0-
Private/Local Funds	688,779	282,013	(406,766)	-0-	-0-
Student Loan Revolving Funds	377,589	184,632	(192,957)	-0-	-0-
Other Revenue	1,677,350	146,616	(1,530,734)	-0-	-0-
Total Restricted Revenues	\$ 33,781,230	\$ 21,000,499	\$ (12,780,731)	\$ -0-	\$ -0-
Expenditures					
Salaries And Benefits	\$ 34,145,172	\$ 24,309,918	\$ 9,835,254	\$ -0-	\$ -0-
Job Training Partnership Act	-0-	-0-	-0-	-0-	-0-
Grants/Loans To Students	6,932,570	3,752,317	3,180,253	-0-	-0-
Current Expenses	5,826,433	3,393,470	2,432,963	-0-	-0-
Equipment	1,973,801	1,004,413	969,388	-0-	-0-
Marketing/Advertising	604,827	419,503	185,324	-0-	-0-
Buildings And Grounds	480,134	133,640	346,494	-0-	-0-
Travel	380,527	167,349	213,178	-0-	-0-
Staff Development	226,660	65,393	161,267	-0-	-0-
Indirect Costs	262,887	41,174	221,713	-0-	-0-
Other Expenditures	2,932,552	789,069	2,143,483	-0-	-0-
System Critical Lab Support	-0-	-0-	-0-	1,400,000	236,128
Student Tracking System	-0-	-0-	-0-	1,000,000	220,634
System Network Improvements	-0-	-0-	-0-	944,138	672,035
Telephone Systems/Roof Repairs	-0-	-0-	-0-	786,300	25,136
Upgrade Science Labs	-0-	-0-	-0-	600,000	4,186
Library Support Systems	-0-	-0-	-0-	500,000	56,042
Other Capital Improvements	-0-	-0-	-0-	330,639	34,177
Total Expenditures	\$ 53,765,563	\$ 34,076,246	\$ 19,689,317	\$ 5,561,077	\$ 1,248,338

The accompanying notes are an integral part of these financial statements.

Fund Favorable (Unfavorable) Variance	Special Fund		Favorable (Unfavorable) Variance	Totals (Memo Only)		Favorable (Unfavorable) Variance
	Budget	Actual		Budget	Actual	
\$ -0-	\$ -0-	\$ -0-	\$ -0-	22,427,279	16,180,924	\$ (6,246,355)
-0-	15,496,933	7,112,000	(8,384,933)	15,496,933	7,112,000	(8,384,933)
-0-	-0-	-0-	-0-	6,332,265	3,343,125	(2,989,140)
-0-	-0-	-0-	-0-	2,277,968	863,189	(1,414,779)
-0-	-0-	-0-	-0-	688,779	282,013	(406,766)
-0-	-0-	-0-	-0-	377,589	184,632	(192,957)
-0-	-0-	-0-	-0-	1,677,350	146,616	(1,530,734)
<u>\$ -0-</u>	<u>\$ 15,496,933</u>	<u>\$ 7,112,000</u>	<u>\$ (8,384,933)</u>	<u>\$ 49,278,163</u>	<u>\$ 28,112,499</u>	<u>\$ (21,165,664)</u>

\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 34,145,172	\$ 24,309,918	\$ 9,835,254
-0-	15,497,140	7,205,000	8,292,140	15,497,140	7,205,000	8,292,140
-0-	-0-	-0-	-0-	6,932,570	3,752,317	3,180,253
-0-	-0-	-0-	-0-	5,826,433	3,393,470	2,432,963
-0-	-0-	-0-	-0-	1,973,801	1,004,413	969,388
-0-	-0-	-0-	-0-	604,827	419,503	185,324
-0-	-0-	-0-	-0-	480,134	133,640	346,494
-0-	-0-	-0-	-0-	380,527	167,349	213,178
-0-	-0-	-0-	-0-	226,660	65,393	161,267
-0-	-0-	-0-	-0-	262,887	41,174	221,713
-0-	-0-	-0-	-0-	2,932,552	789,069	2,143,483
1,163,872	-0-	-0-	-0-	1,400,000	236,128	1,163,872
779,366	-0-	-0-	-0-	1,000,000	220,634	779,366
272,103	-0-	-0-	-0-	944,138	672,035	272,103
761,164	-0-	-0-	-0-	786,300	25,136	761,164
595,814	-0-	-0-	-0-	600,000	4,186	595,814
443,958	-0-	-0-	-0-	500,000	56,042	443,958
296,462	-0-	-0-	-0-	330,639	34,177	296,462
<u>\$ 4,312,739</u>	<u>\$ 15,497,140</u>	<u>\$ 7,205,000</u>	<u>\$ 8,292,140</u>	<u>\$ 74,823,780</u>	<u>\$ 42,529,584</u>	<u>\$ 32,294,196</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**COMBINED BALANCE SHEET
FIDUCIARY FUNDS
MARCH 31, 1998**

	Expendable Trust Funds	Agency Funds	Combined Fiduciary Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 5,556	\$ 2,765,307	\$ 2,770,863
Investments	201,351	-0-	201,351
Total Assets	\$ 206,907	\$ 2,765,307	\$ 2,972,214
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Custodial Funds Payable	\$ -0-	\$ 2,765,307	\$ 2,765,307
 Fund Balances			
Reserved for Scholarships	206,907	-0-	206,907
Total Liabilities and Fund Balances	\$ 206,907	\$ 2,765,307	\$ 2,972,214

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

	<u>Balance July 1, 1997</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 1998</u>
ADMINISTRATIVE ACCOUNTS				
Assets				
Cash & Cash Equivalents	\$ 637,821	\$ 9,254,695	\$ 9,362,041	\$ 530,475
Liabilities				
Custodial Funds Payable	\$ 637,821	\$ 9,254,695	\$ 9,362,041	\$ 530,475
STUDENT ACTIVITY ACCOUNTS				
Assets				
Cash & Cash Equivalents	\$ 530,586	\$ 1,024,707	\$ 831,250	\$ 724,043
Liabilities				
Custodial Funds Payable	\$ 530,586	\$ 1,024,707	\$ 831,250	\$ 724,043
MASTERCARD/VISA ACCOUNTS				
Assets				
Cash & Cash Equivalents	\$ 220,967	\$ 2,025,338	\$ 2,120,504	\$ 125,801
Liabilities				
Custodial Funds Payable	\$ 220,967	\$ 2,025,338	\$ 2,120,504	\$ 125,801
EASYFUND ACCOUNTS				
Assets				
Cash & Cash Equivalents	\$ 129,562	\$ 10,814,461	\$ 9,608,511	\$ 1,335,512
Liabilities				
Custodial Funds Payable	\$ 129,562	\$ 10,814,461	\$ 9,608,511	\$ 1,335,512
FIRSTAR ACCOUNT				
Assets				
Cash & Cash Equivalents	\$ 21,712	\$ 165,802	\$ 145,303	\$ 42,211
Liabilities				
Custodial Funds Payable	\$ 21,712	\$ 165,802	\$ 145,303	\$ 42,211
STUDENT TRAINING ACCOUNTS				
Assets				
Cash & Cash Equivalents	\$ 10,933	\$ 8,268	\$ 11,936	\$ 7,265
Liabilities				
Custodial Funds Payable	\$ 10,933	\$ 8,268	\$ 11,936	\$ 7,265
TOTALS - AGENCY FUNDS				
Assets				
Cash & Cash Equivalents	\$ 1,551,581	\$ 23,293,271	\$ 22,079,545	\$ 2,765,307
Total Assets	<u>\$ 1,551,581</u>	<u>\$ 23,293,271</u>	<u>\$ 22,079,545</u>	<u>\$ 2,765,307</u>
Liabilities				
Custodial Funds Payable	\$ 1,551,581	\$ 23,293,271	\$ 22,079,545	\$ 2,765,307
Total Liabilities	<u>\$ 1,551,581</u>	<u>\$ 23,293,271</u>	<u>\$ 22,079,545</u>	<u>\$ 2,765,307</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - EXPENDABLE TRUST FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

Revenues

Treasury Investment Income	\$ 52,470
Student Senate Loan Repayments - Manchester	1,996
Interest Income - Claremont	1,635
Toyota Scholarship Interest - Stratham	1,107
Other Interest Income	<u>125</u>
Total Revenues	<u>57,333</u>

Expenditures

Treasury Scholarship Awards	4,356
GTE - Nashua Scholarship	3,595
Student Senate Loans	2,463
Toyota Scholarship Awards	<u>871</u>
Total Expenditures	<u>11,285</u>
Excess (Deficiency) Of Revenues Over Expenditures	46,048
Fund Balance, July 1, 1997	<u>160,859</u>
Fund Balance, March 31, 1998	<u>\$ 206,907</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Department of Regional Community-Technical Colleges have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The New Hampshire Department of Regional Community-Technical Colleges is an organization of the primary government of the State of New Hampshire. The accompanying financial statements report certain financial activity of the Department of Regional Community-Technical Colleges, excluding the Police Standards and Training Council and the Christa McAuliffe Planetarium. The financial activity of the Department of Regional Community-Technical Colleges is accounted for in the General, Special, Capital Projects, and Fiduciary 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 Department of Regional Community-Technical Colleges, as an organization of the primary government, accounts for only a small portion of the General, Special, and Capital Projects Funds and those assets, liabilities, and fund balances as reported in the CAFR that are attributable to the Department cannot be determined. Accordingly, the accompanying financial statements are not intended to show the financial position of the Department of Regional Community-Technical Colleges in the General, Special, and Capital Projects Funds and the changes in these fund balances are not reported on the accompanying financial statements.

B. Basis Of Presentation - Fund Accounting

The State of New Hampshire and the Department of Regional Community-Technical Colleges use funds and account groups 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. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Of Presentation - Fund Accounting (Continued)

Governmental Fund Types

General Fund

The General Fund accounts for all financial transactions not specifically accounted for in any other fund. By law, and with certain exceptions, all revenues of governmental funds are paid daily into the State Treasury. All such revenues, 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.

Special Fund

The State allocates to the Special Fund expenditures and revenues of programs which, by statute, operate primarily from specific program revenues, such as user fees or federal grants-in-aid. The unexpended balances of appropriations for programs that lapse are transferred to the General Fund. All activity within the Special Fund relates to the Job Training Partnership Act federal program and is administered by the Office of the Commissioner.

Capital Projects Fund

The State records in the Capital Projects Fund 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.

Fiduciary Fund Type

Trust And Agency Funds

Transactions related to assets held by the Department in a trustee or agency capacity are accounted for in the Fiduciary Fund Type. Because the Department is functioning in a fiduciary capacity, the authority to employ, dispose of, or otherwise use the assets is determined not by legislative appropriations but by the administrative rules and agreements that created the trustee or agency relationship. The fiduciary funds at the Department include various scholarship accounts categorized as expendable trust funds and various student tuition, loans and activity fees categorized as agency funds.

Expendable trust funds are used to account for assets for which the Department functions in a fiduciary capacity as a trustee. Because the objectives of the scholarships accounts are achieved by spending both the principal and earnings of the fund, the fund is referred to as an expendable trust fund. Expendable trust funds are accounted for using the modified accrual basis of accounting. The financial statements of an expendable trust fund include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Of Presentation - Fund Accounting (Continued)

Trust And Agency Funds (Continued)

Agency funds are used to account for fiduciary relationships involving only custodial or modest management responsibilities. They report assets received for, and disbursed to, other governmental units or private sector organizations, groups or individuals. Agency funds are accounted for using the modified accrual basis of accounting and do not report a fund equity balance or measure results of operations. The financial statements of an agency fund include a balance sheet and a statement of changes in assets and liabilities.

Account Groups

General Fixed Assets (Unaudited)

General fixed assets acquired for use by the Department of Regional Community-Technical Colleges for the performance of its operations are reflected in the General Fixed Assets Account Group at the time of acquisition. As of March 31, 1998, the Department had recorded in the General Fixed Assets Account Group the cost of general fixed assets based on available historical cost records. Donated fixed assets are recorded at fair market value at the time donated.

C. Measurement Focus And Basis Of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus and reported on a modified accrual basis of accounting. Accordingly, the State of New Hampshire accounts for its financial transactions relating to the General, Special, Capital Projects, and Expendable Trust Funds on the modified accrual basis of accounting, under which revenues are recognized when measurable and available to finance operations during the year. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period. Expenditures are recognized in the period in which obligations are incurred as a result of the receipt of goods or services. Agency fund assets and liabilities are also accounted for on the modified accrual basis, but do not recognize revenues and expenditures. The net appreciation (depreciation) in fair value of investments is recorded as an increase (decrease) in investment income in the expendable trust fund and an addition (deduction) in the agency fund based on the valuation of investments as of the date of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial operating budget to the Legislature. 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 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 appropriations for individual projects, which while intended to be expended over a biennium, may extend over several fiscal years when extended by legislation. The Fiduciary Fund Type is not budgeted.

The New Hampshire biennial budget is composed of the initial operating budget and 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. As shown on the Schedules of Budgetary Components on pages 52 through 54, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward, and transfers.

Unexpended balances of appropriation 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. Capital Projects Fund appropriations are scheduled to lapse two years from the date appropriated unless extended or designated as non-lapsing by law.

The legal level of budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with the prior approval of the Joint Legislative Fiscal Committee and the Governor and Council. Additional fiscal control procedures are maintained by both the executive and legislative branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data (Continued)

Variances - Favorable/Unfavorable

The variance column on the Combined Statement Of Revenues And Expenditures - Budget And Actual-General, Capital Projects and Special Funds highlights differences between budget and actual revenue and expenditures. For revenue, these variances are caused by actual revenue exceeding budget generating a favorable variance or actual being less than budget generating an unfavorable variance. For expenditures, a favorable variance results from actual expenditures being less than the amount budgeted for the fiscal year. The favorable expenditure variances represent a combination of ending available balances and unliquidated encumbrances. Unfavorable expenditure variances represent actual expenditures for the reporting period exceeding the amounts budgeted for the fiscal year.

When statements are presented at an interim date, a date other than June 30 fiscal year-end, the variance reflects the difference between the budget period amount, twelve months in the case of General and Special Funds and twenty-four months in the case of Capital Projects Funds, and a partial year's actual revenue and expenditures. Thus, on the nine month financial statement dated March 31, 1998, unfavorable variances in revenues are expected because nine months of actual revenues are compared to the amount of revenue expected to be collected in the twelve month period. Similarly, favorable expenditure variances are expected, as nine months of actual expenditures are compared to amounts expected to be expended in the twelve or twenty-four month budget period.

Encumbrances

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. The Department's unliquidated encumbrance balances at March 31, 1998 in the General, Special, and Capital Projects Funds were \$958,753, \$0, and \$2,306,140, respectively.

E. Fixed Assets - General (Unaudited)

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on the date received. Interest costs incurred during construction are not capitalized. Assets in the General Fixed Assets Account Group are not depreciated. Presently, the Department does not have complete financial records to support the amounts included in its General Fixed Asset Account Group.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Interfund And Intrafund Transactions

The State accounts for interfund and intrafund transactions as described below:

Reimbursements - Various Departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance. In addition, the Department of Administrative Services charges rent to those Departments that are housed in state-owned buildings. These fees and rent are not considered material and are recorded as revenue by the servicing Department and as expenditures by the user Department.

G. Interpretation Of Totals (Memo Only) Column

Total columns have been included in the Combined Statement of Revenues and Expenditures - Budget and Actual - General, Capital Projects and Special Funds. The total columns include interfund activity and are presented only to facilitate financial analysis. Data in these columns do not present financial activity in conformity with generally accepted accounting principles. Intra-agency eliminations have not been made in the aggregation of this data.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The Department of Regional Community-Technical Colleges maintains demand deposits (checking accounts) for each of its 32 agency and three of its 19 trust accounts for the deposit, retention, and disbursement of its fiduciary funds.

At March 31, 1998, the carrying amount of demand deposits as reported by the Department was \$2,770,863 and the balances reported by the banking institutions totaled \$3,376,358. The difference between the carrying amount and the bank balance consists of checks and deposits which have not cleared the bank as of March 31, 1998.

Demand deposits are FDIC insured for up to \$100,000 deposited by the official custodian in each banking institution. The Department, as official custodian, has these funds on deposit at four banking institutions. Accordingly, of the \$3,376,358 bank balance at March 31, 1998, \$146,320 was covered by federal depository insurance. The remaining \$3,230,038 bank balance at March 31, 1998 was uninsured and uncollateralized.

The Department also holds a nonnegotiable certificate of deposit with an original maturity of one year. The \$32,897 carrying amount of this instrument does not differ significantly from the bank balance. Interest bearing accounts, such as certificates of deposit, are also FDIC insured for up to \$100,000 deposited by the official custodian in each banking institution. Accordingly, the \$32,897 certificate of deposit is fully insured.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

While categorized as a deposit for determining risk in accordance with GASB No. 3, this interest-bearing investment contract is appropriately classified as an investment on the accompanying Fiduciary Fund Balance Sheet.

Investments

The State Treasurer, under the authority of RSA 11:1 acts as custodian of the Department's expendable trust fund investments. In accordance with RSA 11:5, all trust funds in the custody of the Treasurer are invested and reinvested in legal instruments allowable under RSA 6:8.

At March 31, 1998 the Department's expendable trust funds were invested in SEC-registered open-end mutual funds with a fair value of \$168,454. The investments in open-end mutual funds are reported at fair value based on quoted market prices. Open-end mutual funds are not considered securities in accordance with GASB Statement No. 3, accordingly these investments are not classified in categories of custody risk.

NOTE 3 – GENERAL FIXED ASSETS ACCOUNT GROUP (Unaudited)

Fixed assets are recorded at historical cost, if known, estimated cost if historical cost is unknown, or fair value at date of acquisition if the asset is donated.

The following is a schedule of changes in fixed assets for the nine months ended March 31, 1998. Equipment purchases are funded through budgeted operating appropriations. Land and buildings are generally funded through appropriations budgeted in the Capital Projects Fund.

	<u>Balance</u> <u>July 1, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 1998</u>
Building & Building Improvements	\$ 42,539,566	\$ 376,600	\$ -0-	\$ 42,916,166
Land & Land Improvements	<u>2,635,908</u>	<u>-0-</u>	<u>-0-</u>	<u>2,635,908</u>
Total Real Property	45,175,474	376,600	-0-	45,552,074
Equipment	<u>23,881,401</u>	<u>1,037,614</u>	<u>(843,223)</u>	<u>24,075,792</u>
Total General Fixed Assets	<u>\$ 69,056,875</u>	<u>\$ 1,414,214</u>	<u>\$ (843,223)</u>	<u>\$ 69,627,866</u>

NOTE 4 - GENERAL LONG TERM DEBT ACCOUNT GROUP

The Department of Regional Community-Technical Colleges is responsible for paying principal and interest on certain general obligation bonds, the proceeds of which were used for construction of dormitories and the Dr. Goldie Crocker Wellness Center. All of the bonds issued are backed by the full faith and credit of the State. As of July 1, 1997, total outstanding bond principal equaled \$1,998,316. During the nine months ended March 31, 1998, payments on bond principal totaled \$85,391. During the nine months ended March 31, 1998, no debt was refunded and no new debt was issued, leaving an outstanding principal balance of \$1,912,925 at March 31, 1998.

The bond amortization schedule for the next five years and thereafter is presented below:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 87,267	\$ 168,665	\$ 255,932
2000	99,039	165,751	264,790
2001	106,779	158,215	264,994
2002	178,360	86,620	264,980
2003	187,126	77,860	264,986
Thereafter	<u>1,254,354</u>	<u>284,278</u>	<u>1,538,632</u>
Total	<u>\$ 1,912,925</u>	<u>\$ 941,389</u>	<u>\$ 2,854,314</u>

NOTE 5 - REVENUE RECOGNITION

The Department of Regional Community-Technical Colleges is required by state accounting policies to accrue revenue and record accounts receivable in the governmental funds at each June 30 year-end. The Department of Regional Community-Technical Colleges is not required to, and therefore did not accrue revenue to record accounts receivable in the General Fund at March 31. The effect of not accruing revenue and recording accounts receivable at March 31 was to understate General Fund revenue in the amount of \$2,807,399 on the Combined Statement of Revenues and Expenditures - Budget and Actual - General, Capital Projects and Special Funds.

NOTE 6 - FIDUCIARY FUNDS

The Department of Regional Community-Technical Colleges acts as custodian for trust and agency funds of other entities and reports these funds on the accompanying financial statements as expendable trust and agency funds. Trust funds held by the Department consist primarily of scholarships while its agency funds include the following:

NOTE 6 – FIDUCIARY FUNDS (Continued)

Administrative Account

The Administrative Account is the account where student tuition and fees, paid by cash or check, are initially deposited. Checks are drawn on this account periodically and sent to either the State Treasurer for deposit into the General Fund or the Student Activity Account.

Easyfund Account

This account contains all electronic fund transfers (EFT) disbursements of subsidized and unsubsidized loans as well as PLUS loans. The New Hampshire Higher Education Assistance Foundation processes the EFT's weekly and sends the Department of Regional Community-Technical Colleges a student roster of disbursements.

Mastercard/Visa Account

Students may charge their tuition and fees using a credit card. Tuition and fee revenue is deposited into this account and transferred periodically to the State Treasurer for deposit to the General Fund.

Student Activity Account

Receipts to this account include student activity fees, vending machine profits, and profits from fund raising activities. Expenditures from this account are controlled in part by the Student Senate and are used for student activities, such as dances or other special events.

Student Training Account

Receipts and disbursements from this account are primarily for customers' automotive repair orders and for the metal recycling program.

Firststar Account

This account is used for student loan repayments for the federal Perkins Loan program. Students make payments to the AFSA Company, which is contracted to handle Perkins Loan billings and collections for the Department. Collections are deposited into this account and then subsequently transferred to Treasury for deposit into the General Fund.

NOTE 7 – EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The Department of Regional Community-Technical Colleges, as an organization of the State government, participates in the New Hampshire Retirement System (the Plan). The Plan is a defined benefit plan and covers substantially all full-time employees of the Department of Regional Community-Technical Colleges. 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 employees and teachers. Group II consists of firefighters and police officers.

NOTE 7 – EMPLOYEE BENEFIT PLANS (Continued)

New Hampshire Retirement System (Continued)

Group I - Members contributing through age 60 qualify for a normal service retirement allowance based on years of creditable service. The yearly pension amount of 1/60 (1.67%) of average final compensation (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 are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service. In addition, any Group I member who has completed at least 20 years of creditable service that, when combined with his or her age equals at least 70, is entitled to retire and have benefits commence immediately at a reduced service retirement allowance.

Group II - After attaining the age of 45, members with 20 years of creditable service qualify to receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members in service at age 60 qualify to receive a prorated retirement allowance.

Members of both groups are entitled to disability allowances and also death benefit allowances subject to various requirements and rates based on AFC or earnable compensation. All covered Department employees are members of Group I.

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During fiscal year 1998, Group I and II members were required to contribute 5% and 9.3%, respectively, of gross earnings. The State funds 100% of the employer cost for all of the Department's employees enrolled in the Plan. The annual contribution required to cover any normal cost beyond the employee contribution is determined every two years by the Plan's actuary.

The Department's payments for normal contribution costs for the nine months ended March 31, 1998 amounted to 3.86% of the covered payroll for its Group I employees. The Plan does not make separate measurements of assets and pension benefit obligation for individual employers. The New Hampshire Retirement System Comprehensive Annual Financial Report contains detailed information regarding the Plan as a whole, including information on payroll, contributions, actuarial assumptions and funding method, pension benefit obligation, and ten year historical trend data. The New Hampshire Retirement System operates on a fiscal year ending June 30.

Deferred Compensation Plan

The Department, as an organization of the State government, offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 7 – EMPLOYEE BENEFIT PLANS (Continued)

Deferred Compensation Plan (Continued)

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employees or other beneficiaries) solely the property and rights of the State (without being restricted to the provisions of benefits under the Plan), subject only to the claims of the State's general creditors. Participants' rights under the Plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

Postemployment Health Care Benefits

In addition to the benefits described above, the Department, as an organization of State government, provides postemployment health care benefits, in accordance with RSA 21-I:30, to all retired employees and their spouses on a non-contributory basis, as authorized by state statute.

During the nine months ended March 31, 1998, the State paid for the full cost of health insurance premiums for the Department's retired employees and spouses on a pay-as-you-go basis. The cost of the health insurance for the Department's employees and spouses is a budgeted amount and is paid from an appropriation made to the administrative organization of the New Hampshire Retirement System. Accordingly, the cost of health insurance benefits for the retired employees and spouses is not included in the Department's financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**SCHEDULE OF BUDGETARY COMPONENTS
GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

	Operating Budget	Supplemental Appropriation Warrants	Balances Brought Forward	Net Transfers In(Out)	Budget
<u>Revenues</u>					
<u>Restricted Revenues</u>					
Tuition	\$ 20,940,891	\$ -0-	\$ 1,486,388	\$ -0-	\$ 22,427,279
Federal Funds	5,415,655	601,020	315,590	-0-	6,332,265
Grants From State Agencies	696,362	1,225,507	361,099	(5,000)	2,277,968
Private/Local Funds	379,000	166,169	143,610	-0-	688,779
Student Loan Revolving Funds	355,400	-0-	22,189	-0-	377,589
Other Revenue	<u>716,734</u>	<u>41,800</u>	<u>918,816</u>	<u>-0-</u>	<u>1,677,350</u>
Total Restricted Revenues	<u>\$ 28,504,042</u>	<u>\$ 2,034,496</u>	<u>\$ 3,247,692</u>	<u>\$ (5,000)</u>	<u>\$ 33,781,230</u>
<u>Expenditures</u>					
Salaries And Benefits	\$ 33,098,613	\$ 1,595,020	\$ 216,293	\$ (764,754)	\$ 34,145,172
Grants/Loans To Students	5,944,500	613,816	408,182	(33,928)	6,932,570
Current Expenses	5,362,446	147,904	180,178	135,905	5,826,433
Equipment	1,200,871	238,802	76,652	457,476	1,973,801
Marketing/Advertising	603,837	-0-	-0-	990	604,827
Buildings And Grounds	381,460	-0-	10,730	87,944	480,134
Travel	212,738	57,639	33,625	76,525	380,527
Staff Development	161,403	41,169	36,305	(12,217)	226,660
Indirect Costs	151,001	79,936	34,601	(2,651)	262,887
Other Expenditures	<u>595,719</u>	<u>38,941</u>	<u>2,405,231</u>	<u>(107,339)</u>	<u>2,932,552</u>
Total Expenditures	<u>\$ 47,712,588</u>	<u>\$ 2,813,227</u>	<u>\$ 3,401,797</u>	<u>\$ (162,049)</u>	<u>\$ 53,765,563</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**SCHEDULE OF BUDGETARY COMPONENTS
CAPITAL PROJECTS FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

	<u>Capital Budget</u>	<u>Supplemental Appropriation Warrants</u>	<u>Balances Brought Forward</u>	<u>Net Transfers In(Out)</u>	<u>Budget</u>
<u>Expenditures</u>					
System Critical Lab Support	\$ 1,400,000	\$ -0-	\$ -0-	\$ -0-	\$ 1,400,000
Student Tracking System	1,000,000	-0-	-0-	-0-	1,000,000
System Network Improvements	-0-	-0-	944,138	-0-	944,138
Telephone Systems/Roof Repairs	786,300	-0-	-0-	-0-	786,300
Upgrade Science Labs	600,000	-0-	-0-	-0-	600,000
Library Support Systems	500,000	-0-	-0-	-0-	500,000
Other Capital Improvements	<u>234,000</u>	<u>-0-</u>	<u>96,639</u>	<u>-0-</u>	<u>330,639</u>
Total Expenditures	<u>\$ 4,520,300</u>	<u>\$ -0-</u>	<u>\$ 1,040,777</u>	<u>\$ -0-</u>	<u>\$ 5,561,077</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**SCHEDULE OF BUDGETARY COMPONENTS
SPECIAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

	<u>Operating Budget</u>	<u>Supplemental Appropriation Warrants</u>	<u>Balances Brought Forward</u>	<u>Net Transfers In(Out)</u>	<u>Budget</u>
<u>Revenues</u>					
<u>Restricted Revenues</u>					
Job Training Partnership Act	\$ -0-	\$ 4,339,940	\$ 11,156,993	\$ -0-	\$ 15,496,933
Total Restricted Revenues	<u>\$ -0-</u>	<u>\$ 4,339,940</u>	<u>\$ 11,156,993</u>	<u>\$ -0-</u>	<u>\$ 15,496,933</u>
<u>Expenditures</u>					
Job Training Partnership Act	\$ -0-	\$ 4,339,940	\$ 11,157,200	\$ -0-	\$ 15,497,140
Total Expenditures	<u>\$ -0-</u>	<u>\$ 4,339,940</u>	<u>\$ 11,157,200</u>	<u>\$ -0-</u>	<u>\$ 15,497,140</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**SCHEDULE OF REVENUES AND EXPENDITURES BY REGION
GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

	<u>Office of Commissioner</u>	<u>Region I Manchester/ Stratham</u>	<u>Region II Concord</u>	<u>Region III Nashua/ Claremont</u>	<u>Region IV Berlin/ Laconia</u>	<u>Combined Totals</u>
<u>Revenues</u>						
<u>Restricted Revenues</u>						
Tuition	\$ 596,798	\$ 3,949,000	\$ 5,023,333	\$ 3,361,099	\$ 3,250,694	\$ 16,180,924
Federal Funds	36,683	856,944	780,333	655,775	1,013,390	3,343,125
Grants From State Agencies	50,937	180,031	214,766	199,230	218,225	863,189
Private/Local Funds	12,706	60,226	199,687	7,000	2,394	282,013
Student Loan Revolving Funds	-0-	61,227	47,479	40,659	35,267	184,632
Other Revenue	39,490	-0-	12,474	-0-	94,652	146,616
Total Restricted Revenues	\$ 736,614	\$ 5,107,428	\$ 6,278,072	\$ 4,263,763	\$ 4,614,622	\$ 21,000,499
<u>Expenditures</u>						
Salaries And Benefits	\$ 1,252,776	\$ 6,251,593	\$ 7,137,908	\$ 4,914,326	\$ 4,753,315	\$ 24,309,918
Grants/Loans To Students	115,848	949,175	897,037	800,923	989,334	3,752,317
Current Expenses	280,126	678,704	1,243,345	557,334	633,961	3,393,470
Equipment	109,546	216,955	402,390	117,183	158,339	1,004,413
Marketing/Advertising	126,622	165,900	63,239	17,549	46,193	419,503
Buildings And Grounds	-0-	39,967	65,132	10,398	18,143	133,640
Travel	19,021	33,210	50,029	26,720	38,369	167,349
Staff Development	10,166	7,738	18,680	9,830	18,979	65,393
Indirect Costs	7,126	7,288	7,560	6,275	12,925	41,174
Other Expenditures	188,921	26,984	396,553	21,285	155,326	789,069
Total Expenditures	\$ 2,110,152	\$ 8,377,514	\$ 10,281,873	\$ 6,481,823	\$ 6,824,884	\$ 34,076,246

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CASH BASIS)
FOR THE NINE MONTHS ENDED MARCH 31, 1998**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Federal Program</u>	<u>Expenditures</u>
	<u>Department Of Labor</u>	
17.250	Job Training Partnership Act (JTPA)	\$ 7,205,000
	<u>National Science Foundation</u>	
47.076	Education And Human Resources	36,421
	<u>Department Of Education</u>	
84.007	Federal Supplemental Educational Opportunity Grants	164,437
84.033	Federal Work-Study Program	138,603
84.038	Federal Perkins Loan Program Federal Capital Contributions	17,002
84.063	Federal Pell Grant Program	2,860,538
84.116	Fund For The Improvement Of Postsecondary Education	36,683
84.199	Vocational Education - Cooperative Demonstration	<u>193,781</u>
	Total	<u>\$ 10,652,465</u>

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education **Management Letter** for the years ended June 30, 1990 and 1989. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>
<i>Material Weakness</i>	
1 Real Property (See Current Observation No. 2)	○ ○ ○
<i>Other Reportable Conditions</i>	
2 Business Office Centralization	● ● ●
3 Access To NHIFS	● ● ●
4 Trust Funds (See Current Observation No. 1)	● ○ ○
5 Internal Auditor (See Current Observation No. 5)	○ ○ ○
6 Equipment (See Current Observation No. 2)	○ ○ ○
7 Deferred Revenue	● ● ●
<i>Compliance Comments</i>	
<i>Federal Compliance</i>	
8 Interest On Federal Funds	● ● ●

<u>Status Key</u>	●	●	●	<u># Observations</u>
<u>By Status Type</u>	●	●	○	
Fully resolved	●	●	●	4
Substantially resolved	●	●	○	0
Partially resolved	●	○	○	1
Unresolved	○	○	○	3

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education New Hampshire Technical College at **Nashua** for the eighteen months ended December 31, 1989. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>		
<i>Material Weakness</i>			
1 Real Property (See Current Observation No. 2)	○	○	○
<i>Other Reportable Conditions</i>			
2 Segregation Of Duties (See Current Observation No. 1)	○	○	○
3 Trust Funds	●	●	●
4 Deferred Revenue	●	●	●
5 Financial Aid Officer - Review Of Awards (See Current Observation No. 1)	○	○	○
<i>Compliance Comments</i>			
<i>State Compliance</i>			
6 Equipment	●	●	●
7 Trust Funds	●	●	●
8 Tuition Revenue (See Current Observation No. 1)	○	○	○
9 Accounts Receivable	●	●	●
10 Accounts Payable	●	●	●
11 Private Car Mileage Records	●	●	●
<i>Federal Compliance</i>			
12 Financial Reporting	●	●	●

<u>Status Key</u>	●	●	●	<u># Observations By Status Type</u>
Fully resolved	●	●	●	8
Substantially resolved	●	●	○	0
Partially resolved	●	○	○	0
Unresolved	○	○	○	4

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education New Hampshire Technical College at **Claremont** for the eighteen months ended December 31, 1989. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>		
<i>Material Weakness</i>			
1 Real Property (See Current Observation No. 2)	○	○	○
<i>Other Reportable Conditions</i>			
2 Equipment (See Current Observation No. 2)	○	○	○
3 Deferred Revenue	●	●	●
4 Visa/Mastercard Account	●	●	●
5 Summary Of Trust Fund Activity	●	●	●
6 Student Activity Account	●	●	●
 <i>Compliance Comments</i>			
<i>State Compliance</i>			
7 Equipment Inventory Cards	●	●	●
<i>Federal Compliance</i>			
8 Cash Management Of Federal Accounts	●	●	●

<u>Status Key</u>	●	●	○	○	○	<u># Observations By Status Type</u>
Fully resolved	●	●	●			6
Substantially resolved	●	●	○			0
Partially resolved	●	○	○			0
Unresolved	○	○	○			2

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education New Hampshire Technical College at **Manchester** for the eighteen months ended December 31, 1989. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>		
<i>Material Weakness</i>			
1 Real Property (See Current Observation No. 2)	○	○	○
<i>Other Reportable Conditions</i>			
2 Segregation Of Duties (See Current Observation No. 1)	●	○	○
3 Deferred Revenue	●	●	●
4 Interest On Trust Fund Accounts	●	●	●
5 Financial Aid Officer - Review Of Awards (See Current Observation No. 1)	○	○	○
 <i>Compliance Comments</i>			
<i>State Compliance</i>			
6 Capital Improvements	●	●	●
7 Trust Funds	●	●	●
8 Equipment	●	●	●
9 Tuition Revenue (See Current Observation No. 1)	○	○	○
10 Accounts Receivable	●	●	●
11 Accounts Payable	●	●	●
12 Receipt Of Revenue (See Current Observation No. 1)	●	○	○

<u>Status Key</u>	●	●	●	<u># Observations By Status Type</u>
Fully resolved	●	●	●	7
Substantially resolved	●	●	○	0
Partially resolved	●	○	○	2
Unresolved	○	○	○	3

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education New Hampshire Technical College at **Stratham** for the year ended June 30, 1989. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>
<i>Material Weakness</i>	
1 Real Property (See Current Observation No. 2)	○ ○ ○
<i>Other Reportable Conditions</i>	
2 Equipment (See Current Observation No. 2)	● ○ ○
3 Trust Fund Reporting	● ● ●
<i>Compliance Comments</i>	
<i>State Compliance</i>	
4 Equipment	● ● ●
5 Audit Fund Set Aside	● ● ●
<i>Federal Compliance</i>	
6 Cash Management	● ● ●

<u>Status Key</u>	● ● ●	● ● ○	● ○ ○	○ ○ ○	<u># Observations By Status Type</u>
Fully resolved	● ● ●				4
Substantially resolved	● ● ○				0
Partially resolved	● ○ ○				1
Unresolved	○ ○ ○				1

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education New Hampshire Technical College at **Laconia** for the eighteen months ended December 31, 1989. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>		
<i>Material Weakness</i>			
1 Real Property (See Current Observation No. 2)	○	○	○
<i>Other Reportable Conditions</i>			
2 Segregation Of Duties (See Current Observation No. 1)	●	○	○
3 Interest On Trust Fund Accounts	●	●	●
4 Statement Of Trust Fund Activity	●	●	●
5 Bank Reconciliations	●	●	●
6 Equipment (See Current Observation No. 2)	●	●	○
7 Deferred Credit Agreement	●	●	●
8 Accounts Receivable	●	●	●
9 Student Billing System	●	●	●
10 Reconciliation Of Source Documentation	●	●	●
<i>Compliance Comments</i>			
<i>State Compliance</i>			
11 Uncollectible Accounts	●	●	●
12 Tuition Revenue (See Current Observation No. 1)	○	○	○
<i>Federal Compliance</i>			
13 Federal Financial Reporting	●	●	●

<u>Status Key</u>	●	●	○	<u># Observations By Status Type</u>
Fully resolved	●	●	●	9
Substantially resolved	●	●	○	1
Partially resolved	●	○	○	1
Unresolved	○	○	○	2

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education New Hampshire Technical College at **Berlin** for the year ended June 30, 1989. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>
<i>Material Weakness</i>	
1 Real Property (See Current Observation No. 2)	○ ○ ○
<i>Other Reportable Conditions</i>	
2 Segregation Of Duties (See Current Observation No. 1)	● ○ ○
3 Dual Signatures On Student Activity Checks	● ● ●
4 Deferred Payment Agreement For Auto Repairs	● ● ●
<i>Compliance Comments</i>	
<i>State Compliance</i>	
5 Capital Improvements	● ● ●
6 Trust Funds	● ● ●
7 Audit Set Aside Fund	● ● ●
8 Private Car Mileage Records	● ● ●

<u>Status Key</u>	<u># Observations By Status Type</u>
Fully resolved	● ● ● 6
Substantially resolved	● ● ○ 0
Partially resolved	● ○ ○ 1
Unresolved	○ ○ ○ 1

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education New Hampshire Technical Institute at **Concord** for the eighteen months ended December 31, 1989. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>		
<i>Material Weakness</i>			
1 Real Property (See Current Observation No. 2)	○	○	○
<i>Other Reportable Conditions</i>			
2 Segregation Of Duties- Equipment	●	●	●
3 Leased Equipment	●	●	●
4 Equipment	●	●	●
5 Deferred Revenue	●	●	●
6 Classification Of Expenditures	●	●	●
7 Accounts Payable	●	●	●
8 Accounts Receivable	●	●	●
<i>Compliance Comments</i>			
<i>Federal Compliance</i>			
9 Federal Financial Reporting	●	●	●

<u>Status Key</u>				<u># Observations By Status Type</u>
Fully resolved	●	●	●	8
Substantially resolved	●	●	○	0
Partially resolved	●	○	○	0
Unresolved	○	○	○	1

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations, as of March 31, 1998, contained in the audit report of the Department of Postsecondary Technical Education **Office of the Commissioner** for the year ended June 30, 1990. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<i>Internal Control Comments</i>	<u>Status</u>
<i>Material Weakness</i>	
1 Overstatement Of Revenue And Expenditures	● ● ●
<i>Other Reportable Conditions</i>	
2 Segregation Of Duties	● ● ●
3 Accounts Receivable	● ● ●
<i>Compliance Comments</i>	
<i>State Compliance</i>	
4 Equipment	● ● ●
5 Accounts Payable	● ● ●

<u>Status Key</u>	<u># Observations By Status Type</u>
Fully resolved	● ● ● 5
Substantially resolved	● ● ○ 0
Partially resolved	● ○ ○ 0
Unresolved	○ ○ ○ 0

THIS PAGE INTENTIONALLY LEFT BLANK